Public Annual Report

2006

SEB

EESTI ÜHISPANK

Contents

Statement of the Management Board

The Management Board of AS SEB Eesti Ühispank is on an opinion that the Public Annual Report of 2006, which consists of Introduction, Management Report and Financial Statements, contains information, corresponding to the requirements set forth for Public Annual Reports in the Decree no. 25, dated 19.10.1999 and Act No 1, dd. January 18, 2007 of the Bank of Estonia President.

The financial and additional information presented in the Public Annual Report of 2006 is true and complete. There is no financial or other information, missing from the Public Annual Report of 2006, which could affect the meaning or contents thereof. The Annual Financial Accounts give a true and fair view of the actual financial position, results of operations and cash flows of the company.

Financial Accounts, presented in the Public Annual Report of 2006 have been compiled in accordance with the accounting principles, stipulated in International Financial Reporting Standards, as adopted in the European Union. This Public Annual Report of 2006 has been compiled in accordance with the Decree no. 25, dated 19.10.1999 of the Bank of Estonia President and is in conformity with the requirements set forth in the law of the Republic of Estonia. AS SEB Eesti Ühispank and the group companies are assumed to be going concern.

The Public Annual Report of 2006 differs from the SEB Eesti Ühispank Annual Report of 2006 primarily by its way of presentation, since this report implements the balance sheet and income statement as well as cash flow scheme requirements, established with the Decree no. 13, dated 03.12.2003 of the Bank of Estonia President and in parallel presents also separate statements of the bank, as the parent company. The Public Annual Report of 2006 is not subject to approval by the General Meeting of Shareholders.

Members of the Management Board:

“19” march 2007 Mart Altvee

“19.” MÄRTS 2007 Tauno Vanaselja

“26” march 2007 Andrus Kimber

“19” March 2007 Ahti Asmann

“19” march 2007 Mats Hedström

I. Introduction

Credit institution

Company name	AS SEB Eesti Ühispank
Address	Tornimäe Str.2, Tallinn 15010, Estonia
Registred in	Republic of Estonia
Registry date	08.12.95
Registry code	10004252 (Estonian Commercial Register)
Phone	+372 6 655 100
Telex	173 006 UNION EE
Fax	+372 6 655 102
SWIFT	EEUHEE2X
e-mail	postkast@seb.ee
Internet homepage	http://www.seb.ee

II. Management Report

1. Credit institution's group

1.1. Consolidated group

Company name	Register	Reg.date	Address	Activity	Owner-ship*** (%) 31.12.06	At an acquisi-tion cost (EEK mio)
AS SEB Ühisliising	10281767	03.10.1997	Tallinn, Tornimäe 2	Leasing	100.0%	23.4
HF Liisingu AS (in liquidation)*	10304592	07.11.1997	Tallinn, Tornimäe 2	Leasing	100.0%	-
AS SEB Ühisliisingu Kindlustusmaakler*	10723587	16.01.2001	Tallinn, Tornimäe 2	Insurance brokerage	100.0%	-
AS Rentacar*	10303546	20.10.1997	Haapsalu, Karja 27	Leasing	100.0%	-
SEB Russian Leasing	R-6603.16	19.06.1997	St.Peterburg, Kropotkina 1	Leasing	100.0%	1.9
AS SEB Ühispanga Fondid	10035169	22.05.1996	Tallinn, Tornimäe 2	Asset management	100.0%	42.5
AS SEB Ühispanga Elukindlustus	10525330	21.01.1999	Tallinn, Tornimäe 2	Insurance	100.0%	30.0
AS Bangalo	10088272	18.10.1996	Tallinn, Tornimäe 2	Real estate	100.0%	47.0
AS Tornimägi	10198768	05.05.1997	Tallinn, Tornimäe 2	Real estate	100.0%	132.9
OÜ Strongler	10141919	23.04.1997	Tallinn, Tornimäe 2	Real estate	100.0%	26.2
SEB IT Partner Estonia OÜ**	10002566	20.11.1995	Tallinn, Liimi 1B	IT consulting, programming	35.0%	0.3
AS Sertifitseerimiskeskus**	10747013	27.03.2001	Tallinn, Pärnu mnt 12	Data communication services	25.0%	15.1
OÜ TietoEnator Support **	11065244	30.08.2004	Tallinn, Roosikrantsi 11	IT consulting, programming	20.0%	0.6
Pankade Kaardikeskuse AS**	10452335	19.05.1998	Tallinn, Laki 12	Card centre	41.5%	4.0
						323.9

SEB Russian Leasing registered in Russian Commercial Register, all other enterprises registered in Estonian Commercial Register.

Parent company of the Group is AS SEB Eesti Ühispank, it's activity being banking (information on page 3).

* consolidated subsidaries of AS SEB Ühisliising

** associates

***For all investments the percentage of holding equals to both, the holding from the number of shares as well as from the number of votes.

The 'consolidated group' in the meaning of Credit Institutions Law in Estonia and the 'Group' for IFRS consolidation purposes are identical.

Changes in the consolidated group during the accounting period and plans for year 2007

AS Ühisinvesteeringud and AS Eesti Liisingukeskus were liquidated in 2006, as the economic operations of the companies have been terminated.

In July the Bank subscribed additional shares of AS Sertifitseerimiskeskus for 7 million EEK.

In December, an impairment loss in amount of 8,8 million EEK on shares of OÜ Strongler was recognised in the consolidated financial statements.

In 2007 the corporate finance operations are planned to be launched under AS SEB Enskilda, a separate 100% owned subsidiary of the bank.

No such events or trends have occurred by the time of publishing the Annual Report, which would affect the economic situation or financial strategy of the group in 2007.

1.2. Shares held by the members of Management and Supervisory Board

Members of the Management Board: Mart Altvee, Tauno Vanaselja, Andrus Kimber, Ahti Asmann, Mats Hedström.

Members of the Supervisory Board as at 31.12.2006: Mats Kjaer, Ann Karlsson, Anders Arozin, Viesturs Neimanis, Audrius Žiugžda.

On the sole shareholder meeting at 15.01.2007 Mats Kjaer and Ann Karlsson were recalled from Supervisory Board and new members Bo Magnusson and Ben Wilson were elected to the Supervisory Board.

The members of AS SEB Eesti Ühispank Management and Supervisory Board and their confidants, as well as the commercial undertakings controlled jointly or severally by the mentioned persons did not hold any shares of AS SEB Eesti Ühispank as of 31.12.2006.

1.3 Strategy and organisation

SEB Eesti Ühispank Group, being a member of SEB Group, is an Estonian financial group that serves private individuals, companies and the public sector. The bank is a universal bank that offers its customers a wide range of financial services.

SEB Group is a North European financial group for corporate customers, institutions and private individuals having 750 branch offices in Sweden, Germany, Baltic countries, Poland, Russia and the Ukraine. SEB has more than 5 million customers, of whom approximately 2.2 million use the internet for their banking transactions.

SEB Eesti Ühispank Group carries out the vision of SEB Group, that is to be the leading bank in Northern Europe based on long-term customer relationships, competence and e-technology.

The largest area of our operations is commercial banking together with leasing. However, long term saving products offered by asset management and life insurance are growing in volumes very fast indeed. In addition, most of our operation is focused to Estonia. However, in certain areas we are growing also our international operations quickly. SEB Russian Leasing, is for instance, a 100%-owned subsidiary which is a very fast growing leasing company in St Petersburg, Russia. Furthermore, SEB Eesti Ühispank is acting as Centre of Excellence within SEB Group for Asset Management activities concerning Eastern Europe.

Our now more than 726 000 customers are served by approximately 1500 employees. The customers are served through many different channels such as 68 branch offices, more than 110 on-line post offices, more than 350 ATMs, 5900 POS-terminals. There are more than 429 000 debit and credit cards in use. In addition, close to 63 % of our customers use our U-Net and U-Net Business services.

Customer surveys during 2006 showed that we continue to have very satisfed customers. This is a key strength of our group, a strength that we are determined to maintain.

SEB Eesti Ühispank is owned 100% by SEB AB, which is a financial group with a remarkable history of business, in 2006 became 150 years old. We are getting a lot of support from our parent company and group companies in providing our customers even better services. In many product/service areas our owner is the strongest bank in the Nordic arena – expertise that we can draw upon to also serve our customers. In addition, we are getting strong support in controlling and managing our risks – something that is especially important given our country´s fast development.

2. Highlights of operations

Performance and development

The funds that SEB Ühispanga Funds manage delivered very strong performance during 2006; SEB Growth Fund´s return was 35,4 %, SEB Eastern Europe´s return was 30,8% and SEB Baltic Fund´s return was 27,3%. The funds outperformed key competitors

Leading Nordic investment bank SEB Enskilda will expand its Corporate Finance and Equity operations into Estonia, Latvia and Lithuania. For this purpose it will start from the beginning of 2007 co-operation with Ivars Bergmanis, Henrik Igasta, Priit Koit and Sten Sumberg, all previously partners at Suprema Securities.

SEB Eesti Ühispank launched a project, to popularise the ID-card and increase the usage of card, in course of which all SEB Eesti Ühispank clients may acquire a ID-card reader at approximately three times below the market price.

SEB Eesti Ühispank introduced a new package aimed at business customers, the purpose of which is to help new companies start-up their business faster.

SEB Eesti Ühispank concluded an agreement on cooperation on the Aktiva information portal aimed at entrepreneurs and administered by Enterprise Estonia. The goal of the portal is to ensure that comprehensive information is available over the Internet for companies just starting up and in the development phase.

In cooperation with the Tallinna Eluasemefond (Tallinn Housing Fund), SEB Eesti Ühispank has begun to offer Tallinn’s large families and sitting tenants home loans under favourable conditions: there is no self- or own financing requirement and the interest rate is fixed for the entire loan period.

For the 150th anniversary of the Swedish SEB Group, SEB Eesti Ühispank unveiled two new investment deposits, allowing clients to invest in the stocks of blue-chip Swedish companies historically tied to SEB.

SEB Eesti Ühispank started offering a novel investment product SEB WinWinCertificate, which unlike the investment deposits and funds enables to earn from rising as well as falling stock markets.

SEB Eesti Ühispank was the first in Estonia to offer SME-s a banking product – Intressikaitse (interest cap), which protects a borrower against both fast and slow rise in interest rates.

Since October, SEB Eesti Ühispank offers corporate loans secured with sureties, meaning that private sureties are combined with the guarantee of KredEx or Rural Development Foundation.
SEB offers all basketball fans a basketball card, a new debit card, the holder of which can make use of several sports-related benefits. The basketball card was prepared in co-operation with SEB Eesti Ühispank and the Estonian Basketball Association.

SEB Eesti Ühispank was the first in Estonia as well as in the entire Baltics to start offering its customers an opportunity to design their own bankcards since October, meaning that upon request the Bank prints the client's chosen photo to the front of the customer's Visa credit card.

The first unit-linked deposit of SEB Eesti Ühispank, related to Finnish shares, earned its depositors more than 19% interest over the 2-year deposit period.

In December, SEB Eesti Ühispank offered its corporate customers two short-term investment deposits
Investment deposit for business customers is a short-term term deposit, where the safety of a deposit is combined with a possibility to earn notably higher interest than usual.

SEB Eesti Ühispank opened a new branch office at Lasnamäe, being 24th branch office in the Tallinn and Harju county region.

Customer relations and satisfaction

The world's leading magazine on securities services, Global Custodian, gave SEB Eesti Ühispank a high rating based on customer satisfaction studies in 2005. Our securities services operation received its first "Top Rated" rating from the Global Custodian.

For the second year in a row, the Baltic E-banking Report, presented in Riga, nominated SEB Eesti Ühispank's U-Net the best Internet bank in Estonia.

To secure the title of the most customer-friendly bank in Estonia, SEB Eesti Ühispank launched a project, in course of which the bank started to collect regular feedback from its customers in co-operation with TNS Emor to value the daily work of its customer service providers.

SEB Eesti Ühispank offers small enterprises a free internet-based tool "iPlanner" for compiling a business plan.

At the end of April, SEB Eesti Ühispank began sending free reminders to its clients by mobile phone regarding bank cards about to expire.

In October, the Post Bank, established in co-operation with Eesti Post and SEB Eesti Ühispank, celebrated its 10th anniversary. More than 100,000 people all over Estonia have used the services of the Post Bank in course of that period.

Organisation

The new head of the Retail Banking and Technology and a member of the management board of SEB Eesti Ühispank as of August 1st is Ahti Asmann, who took over after Lembit Kitter, who has left SEB to take up the CEO position in the Tallink Group.

Starting from August 1st the new head of Legal department of SEB Eesti Ühispank is Maarja Leppik-Niineväli, who previously managed the Legal department of SEB Ühisliising.

SEB Eesti Ühispank's former management board member Rein Rätsep became deputy director of the Asset Management division of East European region at the Swedish SEB bank.

Social responsibility and spnsorship

SEB Eesti Ühispank has decided to support SEB Eesti Ühispanga Heategevusfond with 20 million kroons over the next 20 years. The money will be donated for the improvement of the situation of Estonian children shelters and the children in need of assistance, staying there. The future intention is to start supporting the training programme for foster parents.

SEB Eesti Ühispank made a gift to the Eesti Pank Museum: a collection of wax figures of six of the personages depicted on Estonian banknotes.

SEB Eesti Ühispank supports the Estonia National Opera with 1.2 million kroons.

The competition "Beautiful Home 2005", held for the 9th time, had 83 entries this year. SEB Eesti Ühispank together with journal "Kodukiri" and Pindi Kinnisvara is the main sponsor of the competition.

On May 23rd at Tallinn's IT College, the primary partners of the Vaata Maailma (Look@ World) foundation and, representing Estonia, the secretary general of the Ministry of Economic Affairs and Communications, signed an agreement on the Arvutikaitse 2009 (Computer Protection 2009) project. The ambitious agreement undertakes to make Estonia the world's most secure information society by 2009. Vaata Maailma has invested up to 60 million kroons into raising Estonian computer security.

A bicycle rental was opened at the Tallinn Technical University where everyone can rent a bicycle free of charge against confidence. Similar bicycle rentals will be opened also at other Tallinn and Tartu universities. Opening of the first free bicycle rental was supported by SEB Eesti Ühispank.

3. Internal control system

Internal control system is a management tool that covers the activities of the entire banking group and forms an integral part of the internal processes in the bank and in the group. The responsibility for the establishment and operation of internal control system lies with the Management Board; the need for and the scope of controls is determined by the extent and nature of the risks involved.

The Management Board of the bank establishes, in accordance with the requirements of the law, the competence and scope of responsibility of the structural units as well as the internal rules that regulate activities, the accounting rules and the procedure for preparing and submitting reports.

The bank's Supervisory Board carries out supervision of the activities of the bank and the entire group by establishing the general risk management principles.

The Risk Control Department co-ordinates the monitoring of the risks involved, and the reporting of the sufficiency of risk capital to the supreme risk management body Assets and Liabilities Management Committee.

In addition to the management, responsibility for the supervision and evaluation of the efficiency of the internal control system and helping in development and improvement of the system lies with the Internal Audit Department and the Audit Committee.

The Audit Committee co-ordinates the (internal) audit work in accordance with the group's business objectives and overall risk assessment by reviewing the audit reports on a quarterly basis, and co-ordinating the annual audit plans.

The annual audit plan of the group is co-ordinated with the external auditor responsible for auditing the SEB Eesti Ühispank Group in accordance with the coordinated audit model used in the SEB Group.

External auditors examine the systems and procedures to an extent limited to what the auditors considered necessary to enable them to express an opinion on the financial statements in accordance with International Standards on Auditing. The comments and recommendations for improvements based on the findings by external auditors arising in the course of the audit were reported to management and Audit Committee of SEB Eesti Ühispank Group.

Important risk management and risk control quality-related (incl. the high quality of internal control system) activities are designed to facilitate integration of the SEB Eesti Ühispank Group in the international financial group as well as to bring the group's audit environment and activity standards into compliance with the requirements established in the SEB Group.

4. Key Figures

	Group		Bank	
	31.12.06	**31.12.05**	**31.12.06**	**31.12.05**
Net profit	1,375.4	923.5	913.0	536.9
Average equity	5,377.1	4,222.0	4,100.9	3,375.4
Return on equity (ROE, %)	25.58	21.87	22.26	15.91
Average assets	60,395.0	42,286.1	49,101.4	36,634.8
Average equity	5,377.1	4,222.0	4,100.9	3,375.4
Equity multiplier (EM)	11.23	10.02	11.97	10.85
Net profit	1,375.4	923.5	913.0	536.9
Total income (EEKmio)	3,994.2	2,688.0	3,101.7	2,082.5
Profit margin (PM), %	34.43	34.36	29.44	25.78
Total income	3,994.2	2,688.0	3,101.7	2,082.5
Average assets	60,395.0	42,286.1	49,101.4	36,634.8
Asset utilization (AU), %	6.61	6.36	6.32	5.68
Net profit	1,375.4	923.5	913.0	536.9
Average assets	60,395.0	42,286.1	49,101.4	36,634.8
Return on assets (ROA, %)	2.28	2.18	1.86	1.47
Net interest income (excl. derivatives)	1,186.5	894.7	923.2	662.1
Average interest earning assets	57,025.9	39,351.9	46,856.8	34,598.2
Net interest margin (NIM, %)	2.08	2.27	1.97	1.91
Interest income (excl. derivatives)	2,614.4	1,630.9	2,061.3	1,267.5
Average interest earning assets	57,025.9	39,351.9	46,856.8	34,598.2
Yield on interest earning assets	4.59	4.14	4.40	3.66
Interest expenses (excl. derivatives)	1,427.9	736.2	1,138.1	605.4
Average interest bearing liabilities	52,832.3	36,541.6	44,024.0	32,558.3
Cost of interest bearing liabilities	2.70	2.02	2.59	1.86
SPREAD (%)	1.88	2.13	1.81	1.80

Explanations

Return on equity (ROE), % = Net profit / Average equity * 100
Equity multiplier (EM) = Average assets / Average equity
Profit margin (PM), % = Net profit / Total income * 100
Asset utilization (AU), % = Total income / Average assets *100
Return on assets (ROA), % = Net profit / Average assets * 100
Net interest margin (NIM), % = Net interest income (excl. derivatives) / Average interest earning assets
Cost of interest bearing liabilities = Interest expenses (excl. derivatives) / Average interest bearing liabilities
SPREAD, % = Yield on interest earning assets - Cost of interest bearing liabilities

Interest earning assets:	**Interest bearing liabilities:**
Balances with the central bank	Due to central bank
Loans and advances to credit institutions	Due to credit institutions
Loans and advances to customers of credit institutions	Due to clients of credit institutions
Due from customers of leasing enterprises	Due to clients of insurance institutions
Due from insurance institutions	Other commitments
Debt securities and other fixed income securities	Issued debt securities
-Allowances for doubtful debt	Subordinated liabilities

Total income includes the following items (Act No 25 of President of the Bank of Estonia, dd. October 19, 1999):

For Group:	**For Bank:**
Interest income	Interest income
Insurance premium	Profit/income from currency dealing
Income from securities	Income from fees and commisions
Profit from equity method (+)	Income from financial investments
Fees and commissions received	Profit/income from adjustmsnts of real estate, tangible and intangible assets (+)
Net profit from financial activities (+)	Profit/income from value adjustments of advances and off-balance sheet commitments (+)
Value adjustments of real estate investments, tangible and intangible assets (+/-)	Income from value adjustemsnts of long term financial investments (+)
Value adjustments of advances and off-balance sheet commitments (+/-)	Other operating income
Value adjustments of long term investments (+)	Extraordinary income
Other income	
Extraordinary income/expense (+)	

Assets quality

(millions of EEK)	Group 31.12.06	Group 31.12.05	Bank 31.12.06	Bank 31.12.05
Assets	70,950.9	49,839.0	58,483.2	39,719.6
Overdue loans and receivables (gross)	153.7	138.5	93.3	102.5
Overdue/assets, %	0.22%	0.28%	0.16%	0.26%
Allowances for losses on amounts due from customers and credit institutions	235.6	203.7	152.9	146.1

5. Ratings

	since 09.06.06	since 18.02.04	since 10.01.03	since 12.12.02
Moody's Investor Service				
Deposit rating (Long term / Short term)	Rating withdrawal*	A1/P-1	A2/P-1	A3/P-2
Financial strength rating	Rating withdrawal*	C–	C–	C–

Rating descriptions in Internet:
http://www.moodys.com

*according to SEB Eesti Ühispank application

Since SEB Eesti Ühispank has the strong owner SEB, it was decided that there no longer was a need to have a local rating. Consequently, SEB Eesti Uhispank withdrew its rating from Moody´s in June 2006.

6. Normatives

6.1. Capital adequacy

(millions of EEK)		Group		Bank	
		31.12.06	31.12.05	31.12.06	31.12.05
1.	**Tier 1 own funds**	**5,663.3**	**4,283.8**	**4,167.1**	**3,249.7**
1.1	Paid in share capital and equity	2,012.2	2,012.2	2,012.2	2,012.2
1.2	General banking reserves	298.5	298.5	298.5	298.5
1.3	Other reserves	19.7	9.6	0.0	0.0
1.4	Retained earnings	2,344.5	1,431.1	1,330.5	793.6
1.5	Profit for the period after auditing	1,375.4	923.5	913.0	536.9
1.6	Other primary own funds	0.0	0.0	0.0	0.0
1.7	Minority interest	0.0	0.0	0.0	0.0
1.8	Translation reserve	0.1	0.4	0.0	0.0
1.9	Treasury stock (less)	0.0	0.0	0.0	0.0
1.1	Intangible assets (less)	-387.1	-391.5	-387.1	-391.5
1.11	Loss for the period (less)	0.0	0.0	0.0	0.0
2.	**Tier 2 own funds**	**1,830.7**	**1,048.3**	**1,830.7**	**1,048.3**
3.	**Total gross own funds (1+2)**	**7,494.0**	**5,332.1**	**5,997.8**	**4,298.0**
4.	**Deductions from own funds**	**3.6**	**4.8**	**35.5**	**35.5**
5.	**Total net own funds (3-4)**	**7,490.4**	**5,327.3**	**5,962.3**	**4,262.5**
6.	**Tier 3 own funds**	**0.0**	**0.0**	**0.0**	**0.0**
7.	**Risk weighted assets**	**59,624.2**	**36,486.1**	**48,178.0**	**26,995.3**
7.1	I category	0.0	0.0	0.0	0.0
7.2	II category	511.1	730.9	434.7	672.0
7.3	III category	294.8	5,329.5	292.0	5,318.3
7.4	IV category	58,818.3	30,425.7	47,451.3	21,005.0
8.	**Risk weighted off-balance sheet commitments**	**3,332.6**	**3,662.5**	**3,275.0**	**3,658.6**
8.1	I Group	3,306.2	3,627.3	3,248.3	3,622.9
8.2	II Group	26.4	35.2	26.7	35.7
9.	**Capital requirement for covering foreign currency risk**	**42.5**	**27.4**	**12.3**	**0.0**
10.	**Capital requirement for covering trading portfolio risks**	**14.4**	**13.0**	**14.4**	**13.0**
10.1	Capital requirement for covering interest position risks	11.6	6.8	11.6	6.8
10.2	Capital requirement for covering equity position risks	2.8	6.2	2.8	6.2
10.3	Capital requirement for covering commodity risks	0.0	0.0	0.0	0.0
10.4	Capital requirement for covering option risks	0.0	0.0	0.0	0.0
10.5	Capital requirement for covering trading portfolio transfer risk	0.0	0.0	0.0	0.0
10.6	Capital requirement for covering trading portfolio credit risk	0.0	0.0	0.0	0.0
11.	**Capital requirement for covering open positsion of trading portfolio credit risks, exceeding limitation on concentration of exposures**	**0.0**	**0.0**	**0.0**	**0.0**
12.	**Total capital adequacy (5.+6.)/(7.+8.+9.×10,0+10.×12,5+11.×12,5)**	**11.78**	**13.13**	**11.52**	**13.83**
	Tier 1 Capital Ratio % (5.+6.-2.)/(7.+8.+9.×10,0+10.×12,5+11.×12,5)	8.90	10.54	7.98	10.43
	Tier 2 Capital Ratio % (2.)/(7.+8.+9.×10,0+10.×12,5+11.×12,5)	2.88	2.58	3.54	3.40

6.2. Net currency position

Net position of every currency at 31.12.2006 and 31.12.2005 is under 1 % level of net equity.

6.3. Liquidity (assets and liabilities by remaining maturity)

(millions of EEK)

31.12.06

Assets, liabilities:	Demand deposits	Over-due	< 1 month	1 < 3 months	3 < 12 months	1 < 2 years	2 < 5 years	over 5 years	Total
1.Bank assets	6,513.9	79.4	3,428.2	1,943.7	8,286.7	4,330.7	9,680.9	23,715.2	57,978.7
2.Group assets	**7,272.6**	**140.3**	**4,760.8**	**2,360.0**	**10,533.1**	**6,814.0**	**14,142.3**	**24,396.2**	**70,419.3**
cash & due from credit institution	3,877.3	0.0	1,142.1	0.1	0.6	0.8	0.0	0.0	5,020.9
due from customers	0.0	126.9	2,847.7	2,319.4	10,330.2	6,485.4	13,948.7	23,909.9	59,968.2
securities	3,385.8	0.0	0.0	11.3	29.4	18.7	191.7	200.5	3,837.4
other assets	9.5	13.4	771.0	29.2	172.9	309.1	1.9	285.8	1,592.8
1.Bank liabilities	21,089.6	0.0	14,954.5	2,064.6	4,034.6	1,629.1	7,541.4	2,608.8	53,922.6
2.Group liabilities	**20,558.4**	**0.0**	**15,219.3**	**2,754.7**	**5,200.9**	**2,079.8**	**16,040.8**	**3,026.8**	**64,880.7**
due to credit institutions	1,792.3	0.0	6,475.6	0.0	1,893.2	1,203.2	15,695.0	234.7	27,294.0
due to customers	18,765.7	0.0	7,557.0	2,045.0	2,921.6	852.6	225.4	542.9	32,910.2
issued debt securities	0.0	0.0	0.0	0.0	278.7	0.0	30.6	0.0	309.3
other liabilities	0.4	0.0	1,186.7	709.7	107.4	24.0	89.8	2,249.2	4,367.2

31.12.05

Assets, liabilities:	Demand deposits	Over-due	< 1 month	1 < 3 months	3 < 12 months	1 < 2 years	2 < 5 years	over 5 years	Total
1.Bank assets	3,578.1	83.1	3,145.0	1,543.8	4,944.0	3,889.9	8,027.9	13,768.8	38,980.6
2.Group assets	**4,144.3**	**119.6**	**4,411.8**	**2,272.3**	**6,623.7**	**5,860.5**	**10,993.6**	**14,324.3**	**48,750.1**
cash & due from credit institution	2,996.2	0.0	1,680.4	0.1	0.5	0.7	0.8	0.0	4,678.7
due from customers	0.5	117.3	2,003.5	2,241.5	6,609.7	5,812.5	10,906.2	14,037.2	41,728.4
securities	1,101.4	0.0	0.0	0.1	4.9	46.8	86.1	204.9	1,444.2
other assets	46.2	2.3	727.9	30.6	8.6	0.5	0.5	82.2	898.8
1.Bank liabilities	15,285.2	0.0	11,303.2	2,932.6	2,512.3	1,021.9	1,246.8	1,776.4	36,078.4
2.Group liabilities	**14,988.8**	**0.0**	**11,562.7**	**2,949.5**	**2,862.3**	**1,434.6**	**8,861.7**	**2,495.5**	**45,155.1**
due to credit institutions	161.6	0.0	3,969.4	391.2	328.5	1,173.5	8,617.1	141.8	14,783.1
due to customers	14,811.9	0.0	6,596.4	2,223.6	2,486.8	252.7	233.7	584.8	27,189.9
issued debt securities	0.0	0.0	0.0	293.2	6.0	0.0	0.0	0.0	299.2
other liabilities	15.3	0.0	996.9	41.5	41.0	8.4	10.9	1,768.9	2,882.9

The column of overdue indicates the (net) amount of claims and liabilities overdue.

6.4. Large exposures

31.12.06

(millions of EEK)

	Group		Bank	
	number/ amount	**% from net equity**	**number/ amount**	**% from net equity**
1.Number of customers with large exposure	3		5	
2.Due from customers with large exposure	2,529.5	33.77	3,290.1	55.19
3.Due from related persons and shareholders	11.3	0.15	5.6	0.09
	2,540.8	**33.92**	**3,295.7**	**55.28**

High credit risk exposure is the total exposure of one party or related parties to the group which exceeds 10% of the group's/bank´s net equity. All instruments where credit risk may arise to the group/bank are taken into consideration. The maximum rate of total high exposure allowed is 800%. The limit of the total exposure of one party or related parties is 25%. As of 31.12.2006 the group had 3 and the bank had 5 high risk exposures. Total exposure of any group of related parties did not exceed the limit of 25%.

III. Financial Statements

1. Income Statement

(millions of EEK)	Note	Group 2006	Group 2005	Bank 2006	Bank 2005
Interest income	3	**2,654.9**	**1,647.4**	**2,102.6**	**1,285.0**
Interest income from banking activities		2,074.2	1,204.8	2,102.6	1,285.0
Interest income from leasing activities		517.0	387.9	0.0	0.0
Other interest income		63.7	54.7	0.0	0.0
Interest expenses	4	**1,427.9**	**736.2**	**1,138.1**	**605.4**
Interest expenses from banking activities		1,126.6	601.6	1,138.1	605.4
Interest expenses from leasing activities		301.3	134.6	0.0	0.0
Net Interest Income		**1,227.0**	**911.2**	**964.5**	**679.6**
Income from securities		**16.7**	**22.0**	**13.1**	**12.4**
Profit from equity method		8.5	12.2	0.0	0.0
Profit from sale of long term investment		7.8	8.9	12.7	11.5
Dividends from long term securities		0.4	0.9	0.4	0.9
Net income from fees and commissions		**695.3**	**545.3**	**486.5**	**386.3**
Fee and commission income	5	977.2	763.2	712.3	563.5
Fee and commission expense	6	281.9	217.9	225.8	177.2
Net profit from financial activities	7	**158.7**	**106.9**	**152.7**	**107.2**
Profit/Income		159.0	79.3	166.1	112.3
Loss/Expense		0.3	-27.6	13.4	5.1
Administrative expenses		**771.9**	**689.3**	**681.5**	**607.3**
Salaries		379.1	314.3	317.0	265.0
Social insurance tax, unemployment insurance tax		126.1	106.8	107.0	90.9
Other adminastrive expenses	8	266.7	268.2	257.5	251.4
Value adjustments of investment properties, tangible and intangible assets (+/-)		**-70.6**	**-78.1**	**-56.7**	**-63.8**
Profit/Income		0.0	0.0	0.0	0.0
Loss/Expense		70.6	78.1	56.7	63.8
Value adjustments of advances and off-balance sheet commitments (+/-)	9	**-35.0**	**23.2**	**-5.0**	**23.8**
Profit/Income		83.1	85.7	44.7	80.9
Loss/Expense		118.1	62.5	49.7	57.1
Value adjustments of long term investments (+/-)		**0.0**	**-0.1**	**-8.8**	**-0.1**
Income		0.0	0.0	0.0	0.0
Expense		0.0	0.1	8.8	0.1
Other operating income and expense (+/-)		**169.4**	**88.6**	**48.2**	**-1.2**
Other operating income	10	186.7	125.3	62.9	28.4
Other operating expense	11	17.3	36.7	14.7	29.6
Profit before taxation		**1,389.6**	**929.7**	**913.0**	**536.9**
Income tax expenses		**14.2**	**6.2**	**0.0**	**0.0**
Income tax of financial period	12	16.9	6.2	0.0	0.0
Change of potential income tax commitment		-2.7	0.0	0.0	0.0
Net profit for reporting period		**1,375.4**	**923.5**	**913.0**	**536.9**
Attributable to the sole equity holder:		1,375.4	923.5	913.0	536.9

The notes on pages 19 - 68 are integral part of these consolidated financial statements

2. Balance sheet

(millions of EEK)	Note	Group 31.12.06	Group 31.12.05	Bank 31.12.06	Bank 31.12.05
ASSETS					
Cash		**667.9**	**526.1**	**667.9**	**526.1**
Loans and advances		**64,321.2**	**45,881.0**	**53,464.7**	**37,072.3**
Balances with the central bank	13	2,412.8	2,231.1	2,412.8	2,231.1
Loans and advances to credit institutions	14	1,943.8	1,924.1	1,941.1	1,904.5
Loans and advances to customers of credit institutions	15	49,283.4	33,493.1	49,263.7	33,082.8
Due from customers of leasing enterprises	15	10,914.9	8,434.5	0.0	0.0
Due from insurance institutions		1.9	1.9	0.0	0.0
Allowances for doubtful debt	16, 17	-235.6	-203.7	-152.9	-146.1
Debt securities and other fixed income securities	18	**3,015.4**	**834.1**	**2,625.7**	**550.9**
Shares and other securities	18	**822.0**	**610.1**	**367.1**	**420.4**
Shares and participations in affiliates		42.9	28.5	19.9	12.9
Shares and participations in subsidaries		0.0	0.0	303.9	346.7
Other shares and participations		761.7	559.6	25.4	38.1
Derivatives		17.4	22.0	17.9	22.7
Intangible assets	19	**387.1**	**391.5**	**387.1**	**391.5**
Consolidated goodwill		379.1	379.1	379.1	379.1
Other intagible assets		8.0	12.4	8.0	12.4
Tangible assets	20	**144.5**	**588.6**	**117.4**	**261.9**
Investment properties	21	**0.0**	**108.8**	**0.0**	**85.6**
Other assets	22	**896.4**	**270.3**	**579.5**	**243.4**
Accrued income and prepaid expenses	23, 24	**696.4**	**628.5**	**273.8**	**167.5**
TOTAL ASSETS		**70,950.9**	**49,839.0**	**58,483.2**	**39,719.6**
LIABILITIES AND SHAREHOLDERS' EQUITY		**60,204.1**	**41,973.0**	**50,660.8**	**33,899.7**
Due to credit institutions	25	27,294.0	14,783.1	17,284.2	6,463.4
Due to customers of credit institutions	26	32,794.7	27,074.8	33,337.4	27,387.4
Due to customers of insurance institutions	26	1.1	1.2	0.0	0.0
Other commitments		114.3	113.9	39.2	48.9
Securities		**342.2**	**310.5**	**343.2**	**310.5**
Issued debt securities	27	309.3	299.2	309.3	299.2
Derivatives		32.9	11.3	33.9	11.3
Other liabilities	28	**1,466.0**	**1,087.0**	**738.5**	**604.1**
Accrued expenses and deferred income	29	**620.0**	**422.6**	**348.6**	**215.0**
Provisions	30	**417.7**	**313.7**	**0.8**	**0.8**
Insurance technical provisions		415.3	311.3	0.0	0.0
Other provisions		2.4	2.4	0.8	0.8
Subordinated liabilities	31	**1,830.7**	**1,048.3**	**1,830.7**	**1,048.3**
TOTAL LIABILITIES		**64,880.7**	**45,155.1**	**53,922.6**	**36,078.4**
Share capital	32,33	665.6	665.6	665.6	665.6
Share premium		1,346.6	1,346.6	1,346.6	1,346.6
General banking reserve		298.5	298.5	298.5	298.5
Revaluation reserve		19.8	8.6	0.0	0.0
Statutory reserve		19.7	9.6	6.4	0.0
Translation reserve		0.1	0.4	0.0	0.0
Retained earnings		2,344.5	1,431.1	1,330.5	793.6
Profit for the reporting period		1,375.4	923.5	913.0	536.9
TOTAL SHAREHOLDERS' EQUITY		**6,070.2**	**4,683.9**	**4,560.6**	**3,641.2**
TOTAL LIABILITIES AND CAPITAL		**70,950.9**	**49,839.0**	**58,483.2**	**39,719.6**

The notes on pages 19 - 68 are integral part of these consolidated financial statements

3. Cash Flow Statement

(millions of EEK)

	Note	Group 31.12.06	Group 31.12.05	Bank 31.12.06	Bank 31.12.05
I. Cash flows from operating activities					
Interest received		2,471.0	1,544.0	1,947.7	1,201.0
Interest paid		-1,133.8	-584.2	-923.0	-500.5
Dividends received		0.4	0.9	0.4	0.9
Fee and commission received		977.2	763.2	712.3	563.5
Net trading income and other operating income		137.1	92.3	-8.3	-60.9
Personnel expenses and other operating expenses		-771.9	-689.3	-681.5	-607.3
Income taxes paid		-14.2	-6.2	0.0	0.0
Revaluation adjustments		11.2	0.0	6.4	-5.2
Cash flows from operating profits before changes in the operating assets and liabilities		**1,677.0**	**1,120.7**	**1,054.0**	**591.5**
Changes in operating assets:					
Loans and advances to credit institutions		-1.2	-218.8	-19.3	-214.9
Loans and advances to customers		-18,356.9	-13,934.5	-16,179.1	-5,335.5
Other assets		120.6	67.8	53.4	23.1
Changes of operating liabilities:					
Due to credit institutions		12,889.9	5,392.6	10,955.2	-3,326.8
Due to customers	26	5,719.8	8,592.7	5,950.0	8,695.1
Government and foreign aid funds		0.4	-53.9	-9.7	-16.5
Other liabilities		28.9	-225.8	-58.9	-143.0
Cash flow from operating activities		**2,078.5**	**740.8**	**1,745.6**	**273.0**
II. Cash flows from investing activities					
Purchase of investment portfolio securities	18	-1,013.1	-1,097.4	-16.1	-3.2
Proceeds from sale of investment portfolio securities	18	680.6	887.1	1.4	253.6
Proceeds from sale and liquidation of subsidaries		-	-	38.9	0.0
Purchase of associates	18	-7.0	-0.6	-7.0	-0.6
Proceeds from sale and liquidation of associates	18	1.1	16.3	0.0	16.3
Purchase of investment properties, tangible and intangible assets	19, 20, 21	-52.5	-81.2	-39.0	-56.2
Proceeds from sale of investment properties, tangible and intangible assets	19, 20, 21	45.8	14.3	13.0	5.6
Cash flow from investing activities		**-345.1**	**-261.5**	**-8.8**	**215.5**
III. Cash flows from financing activities					
Proceeds from debt securities (issuing)	27	764.6	293.2	764.6	293.2
Repurchasing of debt securities	27	-754.5	-751.2	-754.5	-751.2
Proceeds from subordinated loans	31	782.4	782.3	782.4	782.3
Cash flow from financing activities		**792.5**	**324.3**	**792.5**	**324.3**
Effect of exchange rate changes on cash and cash equivalents		5.2	-3.5	0.2	0.0
Net increase in cash and cash equivalents		**2,531.1**	**800.1**	**2,529.5**	**812.8**
Cash and cash equivalents at beginning of period		**5,070.4**	**4,270.3**	**5,069.2**	**4,256.4**
Cash and cash equivalents at end of period		**7,601.5**	**5,070.4**	**7,598.7**	**5,069.2**

	Group 31.12.06	Group 31.12.05	Bank 31.12.06	Bank 31.12.05
Cash and cash equivalents includes:				
Cash on hand	667.9	526.1	667.9	526.1
Balances with the central bank	2,412.8	2,231.1	2,412.8	2,231.1
Liquid deposits in other credit institutions	1,881.4	1,730.2	1,878.6	1,729.0
Trading- and liquidity portfolio	2,639.4	583.0	2,639.4	583.0
Total	**7,601.5**	**5,070.4**	**7,598.7**	**5,069.2**

Annexes to Cash Flow Statement

1. AS SEB Eesti Ühispank has not paid income tax.
2. Financial transactions that are not reflected on the Cash Flow Statement:
2.1. AS SEB Eesti Ühispank has not made investments with nonmonetary payment.
2.2. AS SEB Eesti Ühispank has not received nonmonetary dividends paid in other assets.
3. AS SEB Eesti Ühispank and his subsidaries have not bought assets, which acquired with Estonian Privatisation Vouchers (EVP)

The notes on pages 19 - 68 are integral part of these consolidated financial statements

4. Changes in Shareholders' Equity

(millions of EEK)

Group

	Share capital	Share premium	Other reserves	Translation reserve	Retained earnings	Total share-holders' equity
Year beginning 01.01.2005	**665.6**	**1,346.6**	**303.0**	**0.0**	**1,444.8**	**3,760.0**
Consolidation of foreign subsidaries	0.0	0.0	0.0	0.4	0.0	0.4
Statutory reserve	0.0	0.0	13.7	0.0	-13.7	0.0
Profit for the year	0.0	0.0	0.0	0.0	923.5	923.5
Final balance 31.12.2005	**665.6**	**1,346.6**	**316.7**	**0.4**	**2,354.6**	**4,683.9**
Year beginning 01.01.2006	**665.6**	**1,346.6**	**316.7**	**0.4**	**2,354.6**	**4,683.9**
Revaluation of securities	0.0	0.0	11.2	0.0	0.0	11.2
Consolidation of foreign subsidaries	0.0	0.0	0.0	-0.3	0.0	-0.3
Statutory reserve	0.0	0.0	10.1	0.0	-10.1	0.0
Profit for the year	0.0	0.0	0.0	0.0	1,375.4	1,375.4
Final balance 31.12.2006	**665.6**	**1,346.6**	**338.0**	**0.1**	**3,719.9**	**6,070.2**

Bank

	Share capital	Share premium	Other reserves	Translation reserve	Retained earnings	Total share-holders' equity
Year beginning 01.01.2005	**665.6**	**1,346.6**	**298.5**	**5.2**	**798.8**	**3,109.5**
Revaluation of securities	0.0	0.0	0.0	-5.2	0.0	-5.2
Profit for the year	0.0	0.0	0.0	0.0	536.9	536.9
Final balance 31.12.2005	**665.6**	**1,346.6**	**298.5**	**0.0**	**1,330.5**	**3,641.2**
Book value of holdings under control or significant influence	0.0	0.0	0.0	0.0	0.0	-359.6
Value of holdings under control or significant influence, calculated by equity method	0.0	0.0	0.0	0.0	0.0	1,402.3
Adjusted unconsolidated equity as at 31.12.2005	**665.6**	**1,346.6**	**298.5**	**0.0**	**1,330.5**	**4,683.9**
Year beginning 01.01.2006	**665.6**	**1,346.6**	**298.5**	**0.0**	**1,330.5**	**3,641.2**
Revaluation of securities	0.0	0.0	0.0	6.4	0.0	6.4
Profit for the year	0.0	0.0	0.0	0.0	913.0	913.0
Final balance 31.12.2006	**665.6**	**1,346.6**	**298.5**	**6.4**	**2,243.5**	**4,560.6**
Book value of holdings under control or significant influence	0.0	0.0	0.0	0.0	0.0	-323.9
Value of holdings under control or significant influence, calculated by equity method	0.0	0.0	0.0	0.0	0.0	1,833.5
Adjusted unconsolidated equity as at 31.12.2006	**665.6**	**1,346.6**	**298.5**	**6.4**	**2,243.5**	**6,070.2**

The notes on pages 19 - 68 are integral part of these consolidated financial statements

Note 1

ACCOUNTING PRINCIPLES

AS SEB Eesti Ühispank (Reg. No. 10004252) is a credit institution registered in Tallinn (Estonia), Tornimäe Street 2, the sole shareholder of which is SEB AB, who is also the ultimate controlling party, registered in Sweden.

As at the end of year 2006 SEB Eesti Ühispank Group employed 1 546 people.

1.1. Basis of preparation

These financial statements of SEB Eesti Ühispank Group (the Group) are prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the EU. The principal accounting policies applied in the preparation of these consolidated financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

These financial statements have been prepared under the historical cost convention, except as disclosed in some of the accounting policies below. Financial statements have been prepared according to accrual principle of accounting.

These financial statements have been prepared in millions of Estonian kroons.

When the presentation or classification of items in the financial statements is amended, comparative amounts for the previous period are also reclassified, if not referred differently in specific accounting principle.

The preparation of the consolidated financial statements in accordance with the International Financial Reporting Standards as adopted by the EU requires the use of certain critical accounting estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses for the reporting period. Although these estimates are based on management's best knowledge and judgement of current events and actions, the actual outcome and the results ultimately may significantly differ from those estimates. More detailed overview of the estimates made is provided under accounting principles set out below. Critical estimates and judgement are specifically used in the following areas:

a) Impairment losses on loans and advances
b) Impairment assessment for goodwill
c) Assets held for sale
d) Fair value of derivative financial instruments

Estimates and judgments are continually evaluated based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

Certain new standards, amendments and interpretations to existing standards have been published by the time of compiling these financial statements that are mandatory for the company's accounting periods beginning on or after 1 January 2007 or later periods. The overview of these standards and the Group management estimate of the potential impact of applying the new standards and interpretations is given at the end of this section (Note 1.27).

1.2. Consolidation

These consolidated financial statements of the SEB Eesti Ühispank Group comprise of the financial statements of the parent company AS SEB Eesti Ühispank and its subsidiaries as at 31. December 2006. The subsidiaries being consolidated are listed on page 4 (See table 1.1).

In the group's consolidated financial statements, the financial statements of the parent bank and its subsidiaries have been combined on a line-by-line basis. Intra-group balances and intra-group transactions and unrealised gains on transactions between group companies have been eliminated in full. Unrealised losses are also eliminated unless the transaction provides evidence of impairment of the asset transferred. All the subsidiaries that are controlled by SEB Eesti Ühispank have been consolidated. The accounts of the subsidiaries used for consolidation have been prepared in conformity with the accounting principles of the parent company.

<u>Subsidiaries</u>
Subsidiary is an entity controlled by the parent company. Control is presumed to exist when the parent owns, directly or indirectly, more than 50% of the voting power of an enterprise or otherwise has power to govern the financial and operating policies. Subsidiaries are consolidated from the date on which control is transferred to the Group and are no longer consolidated from the date that control ceases to exist.

The purchase method of accounting is used to account for the acquisition of subsidiaries. The cost of an acquisition is measured as the fair value of the assets given, equity instruments issued and liabilities incurred or assumed at the date of exchange, plus costs directly attributable to the acquisition. According to the purchase method all the identifiable assets and liabilities of the subsidiary acquired are measured at their fair values at the acquisition date, irrespective of the extent of any minority interest, and the excess of the cost of acquisition over the fair value of the net assets of the subsidiary acquired is recorded as goodwill (Note 1.8). If the cost of acquisition is less than the fair value of the net assets of the subsidiary acquired, the difference is recognised directly in the income statement.

Revenues and expenses of the subsidiaries acquired within the financial year are consolidated into the group income statement starting from the date of acquisition to the end of the financial year. Result of operations of subsidiaries disposed of during the year is consolidated into group income statement from the beginning of the financial year until the date of disposal.

<u>Associates</u>
Associate is an entity over which the Group has significant influence, but which it does not control. Generally, significant influence is presumed to exist when the group holds between 20% and 50% of the voting rights.

Investments in associates are initially recognised at cost. The Group's investment in associates includes goodwill (net of any accumulated impairment loss) identified on acquisition (Note 1.8). Investments in associates are accounted for under the equity method of accounting. Under this method, the investment in Group financial statements is increased by the share of post-acquisition profit and reduced by the share of loss or distribution of profit received from the associated company and attributable to the Group and any goodwill impairment. The Group's share of post-acquisition movements in reserves is recognised in reserves. When the Group's share of losses in an associate equals or exceeds its interest in the associate, including any other unsecured receivables, the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the associate.

Unrealised gains on transactions between the Group and its associates are eliminated to the extent of the Group's interest in the associates. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies have been changed where necessary to ensure consistency with the policies adopted by the Group.

<u>Parent company separate financial statements – primary statements</u>
In the parent separate primary financial statements the investments into the shares of subsidiaries and associated companies are accounted for at cost less any impairment recognized.

1.3. Foreign currency transactions and assets and liabilities denominated in a foreign currency

<u>Functional currency</u>
The financial statements of the Group companies have been prepared using the currency (*functional currency*) which best reflects the company's economic environment. The consolidated financial statements have been presented in Estonian kroons, which is also the functional currency of the parent company.

<u>Foreign currency transactions</u>
Foreign currency transactions have been recorded based on foreign currency exchange rates of the Bank of Estonia (Central Bank) prevailing on the transaction dates. In the case of differences in the transfer of cash (i.e. settlement) and exchange rates prevailing on the transaction date, the exchange rate differences are recorded in the income statement under the line "Net profit from financial activities".

<u>Assets and liabilities denominated in foreign currencies</u>
Monetary assets and liabilities and non-monetary assets and liabilities valued at fair value and denominated in foreign currencies have been translated into Estonian kroons based on the foreign currency exchange rates of the Bank of Estonia prevailing on the balance sheet date. Gains and losses on translation form monetary assets and liabilities are recorded in the income statement under the line "Net profit from financial activities". Changes in the fair value of monetary securities denominated in foreign currency classified as available for sale are analysed between translation differences resulting from changes in the amortised cost of the security and other changes in the carrying amount of the security. Translation differences related to changes in the amortised cost are recognised in profit or

loss as “Net profit from financial activities“, and other changes in the carrying amount are recognised in fair value reserve in equity. Translation differences on non-monetary items, such as equities held at fair value through profit or loss, are reported as part of the fair value gain or loss on line “Net profit from financial activities”. Translation differences on non-monetary items, such as equities classified as available-for-sale financial assets, are included in the fair value reserve in equity.

Group companies

The results and financial position of all the group entities (none of which has the currency of a hyperinflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency. Income statements and cash flows of foreign entities are translated into Estonian kroons at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the dates of the transactions) for the year and their balance sheets are translated at the exchange rates ruling on 31 December, the balance sheet date. Unrealised exchange differences arising from the translation are taken to a separate account in shareholders’ equity. When a foreign entity is sold (or part of it is sold), such exchange differences are recognised in the income statement as part of the gain or loss on sale.

1.4. Cash and cash equivalents

For the purposes of the cash flow statement, cash and cash equivalents are cash at hand, available for use deposits due from central bank and readily available deposits in other credit institutions and also less than 3-month maturity liquid securities acquired for trading purpose or decided to be recognized at fair value through profit or loss at inception.

1.5. Financial assets

Financial assets are any assets that are cash, a contractual right to receive cash or another financial asset from another enterprise, a contractual right to exchange financial instruments with another enterprise under conditions that are potentially favourable or an equity instrument of another enterprise. The Group classifies its financial assets in the following categories:
1.5.1. loans and receivables,
1.5.2. financial assets at fair value through profit or loss,
1.5.3. available for sale financial assets.
Management determines the classification of its investments at initial recognition.

1.5.1. Loans and receivables

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They arise when the Group provides money, goods or services directly to a debtor with no intention of trading the resulting receivable.

Loans and receivables are recognized in the balance sheet when the cash is paid to the borrower and are initially recognized at fair value plus transaction costs and are derecognized only when they are repaid or written-off, regardless of the fact that part of them may be recognized as costs through providing allowances for loans. The loan allowances are presented on the respective balance sheet line at negative value. Loans have been recognized in the balance sheet at amortized cost using the effective interest rate method. Accrued interest on the loans and not yet collected is recorded in the separate balance sheet line under accruals. For overdrafts and credit cards, the actual use of the limit by the borrower is stated in the balance sheet. The unused credit limit is recognized as contingent (off-balance sheet) commitment.

Leasing receivables

Financial lease claims include receivables from financial lease, consumer factoring and installment sale. A financial lease is a rental transaction where all major risks and rights deriving from the use of the leased assets are transferred from the leasing firm to the lessee. Legal ownership to the property may be transferred to the lessee at the end of the lease period.

The receivables from the financial lease agreements are recognized in net present value of the minimum lease payments, from which the payments of principal received have been deducted. Lease payments collected are allocated between repayment of principal and financial income. Financial income is recognized over the rental period based on the pattern reflecting a constant periodic rate of return on the lessor's net investment in the finance lease. Initial service fees collected at issuance are included into the calculation of effective interest rate and lessor's net investment. Allowances for lease receivables are presented on the respective balance sheet line at negative value.

The lease receivable to the client is recognized in the balance sheet as of the moment of delivering the assets being the object of the agreement to the client. In case of transactions, in which the assets being the object of the agreement having a long delivery term have not yet been delivered to the client, the payments received from the lessees under these agreements are recognized in the balance sheet as prepayments of buyers under "accrued expenses and deferred income". The amounts paid by the leasing firm for the assets under lease agreements not yet delivered are recognized in the balance sheet as prepayments to suppliers under "accrued income and prepaid expenses".

Factoring receivables

Factoring transactions are considered to be financing transactions where the leasing firm provides the financial resources to its selling partners through transfer of the rights to the receivables from these sales transactions. The leasing firm acquires the right for the receivables payable by the buyer subject to the sales contract.

Factoring is the transfer of receivables. Depending on the terms of the factoring contract the buyer either accepts the transfer of substantially all the risks and rewards of the ownership of the receivable (non-recourse factoring) or retains the right to transfer the risks and rewards back to the seller during a pre-specified term (recourse factoring).

Factoring receivables are recorded in the balance sheet at amortisied cost, from which the payments of principal claim collected have been deducted. Allowances for factoring receivables are presented on the respective balance sheet line at negative value. The receivable to the client is recognized as of the moment of factoring the purchase-sale agreement, i.e. as of assuming the receivable.

Valuation of loans and receivables

The Group assesses consistently whether there is objective evidence that a financial asset or group of financial assets is impaired. A financial asset or a group of financial assets is impaired and impairment losses are incurred only if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a ‘loss event’) and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated.

For valuation of loans and receivables several risks are prudently considered. SEB Eesti Ühispank introduced a customer rating system for evaluating corporate loans, corresponding to the principles used in SEB, the parent bank of SEB Eesti Ühispank. Valuation of the customer receivables is based on the client’s company’s financial position, situation of the industry, trustworthiness of the borrower, competence of the management of the client, timely fulfillment of contractual obligations and other factors, all of which together help to assess the value of the receivable and the amount of incurred loss in the portfolio of loans. Valuation of loans to private individuals is based on timely fulfillment of contractual obligations, solvency and collateral, age, educational status, length of employment, saving practices and other factors, affecting the credit risk.

The Group first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant, and individually or collectively for financial assets that are not individually significant. If the Group determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. Assets that are individually assessed for impairment and for which an impairment loss is or continues to be recognised are not included in a collective assessment of impairment. For the purposes of a collective evaluation of impairment, financial assets are grouped on the basis of similar credit risk characteristics (ie, on the basis of the Group’s grading process that considers asset type, industry, collateral type, past-due status and other relevant factors). Those characteristics are relevant to the estimation of future cash flows for groups of such assets.

Future cash flows in a group of financial assets that are collectively evaluated for impairment are estimated on the basis of the contractual cash flows of the assets in the Group and historical loss experience for assets with credit risk characteristics similar to those in the Group. Historical loss experience is adjusted on the basis of current observable data to reflect the effects of current conditions that did not affect the period on which the historical loss experience is based and to remove the effects of conditions in the historical period that do not currently exist. The methodology and assumptions used for estimating future cash flows are reviewed regularly by the Group to reduce any differences between loss estimates and actual loss experience.

For assessment of loan losses, the probability of collecting the loan and interest payments over the coming periods are considered, as well as discounted present value of estimated collections, discounted at the financial asset's original effective interest rate, and anticipated proceeds from the realization of collateral (excluding future credit losses that have not been incurred), which together help to assess the amount of loss incurred of the loan. The amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows. For these assessed incurred loan losses, the relevant allowance has been established. The carrying amount of the asset is reduced through the use of an allowance account and the amount of the loss is recognised in the income statement. Specific and collective (based on incurred loss estimation on the group basis) allowances are provided for individually assessed loans, and group based allowances for homogenous loan groups.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised (such as an improvement in the debtor's credit rating), the previously recognised impairment loss is reversed by adjusting the allowance account. The amount of the reversal is recognised in the income statement in "Value adjustments of advances and off-balance sheet commitments".

When a loan is uncollectible, it is written off against the related allowance for loan impairment. Such loans are written off after all the necessary procedures have been completed and the amount of the loss has been determined.

Loans that are either subject to collective impairment assessment or individually significant and whose terms have been renegotiated are no longer considered to be past due but are treated as normal loans.

Interest income on loans is presented on the income statement under "Interest income".

1.5.2. Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss include:
• financial assets held for trading
• financial assets designated at fair value through profit or loss at inception

Financial assets held for trading
This group of financial assets includes securities acquired or incurred principally for the purpose of selling or repurchasing in the near term or if it is part of a portfolio of identified financial instruments that are managed together and for which there is evidence of a recent actual pattern of short-term profit-taking, and derivatives.

Securities acquired or incurred principally for the purpose of selling or repurchasing in the near term
This group includes shares and bonds acquired for trading purpose. Trading securities are initially recognized at fair value net of transaction costs on the trade date and are subsequently presented in fair value.

The fair value of held for trading securities quoted on an active market are based on current bid prices. The shares not quoted on an active market are revalued in fair value according to the price of the last transaction. If this price is not reliable, the shares are revaluated into fair value based on all available information regarding the investment value. For held for trading debt securities, which are not quoted on an active market, cash flows are discounted at market interest rates, issuer's risk added.

In any case, if the market for a financial asset is not active, the Group establishes fair value by using valuation techniques. These include the use of recent arm’s length transactions, discounted cash flow analysis, and other valuation techniques commonly used by market participants.

The unrealized and realized result of the trading securities is recorded in income statement under “Net profit from financial activities”.

Derivatives

Derivatives (forward-, swap- and option transactions) are initially recognized at fair value net of transaction costs on the trade date and are subsequently presented at fair value. If derivatives are quoted on an active market, market value is used as a fair value. If not, the valuation techniques are used to find the fair value.

These transactions are booked in balance sheet as assets, if their fair value is positive and as liabilities, if the fair value is negative. The fair values of derivative assets and liabilities recorded in balance sheet are not netted. The Group does not apply hedge accounting principles for the accounting of derivative financial instruments.

In valuation of currency derivatives (excl. currency options), future cash flows are discounted using market interest rates. Currency and equity options are revalued to market value, if active market exists. If a reliable market value can not be obtained, the fair value of options is calculated by using the Black-Scholes model.

Currency forward and swap transactions are valued by discounting future cash flows using effective interest rate. Respective interest income is presented in the income statement under "Interest income".

The realized profit and unrealized gain/loss from the revaluation of derivatives is recorded in the income statement under "Net profit from financial activities".

Financial assets designated at fair value through profit or loss at inception

In this class of securities are classified securities where the company has upon initial recognition designated the securities to be recorded as at fair value through profit or loss and as a result the changes in the fair value of these securities are consistently recognized in the profit or loss of the reporting period.

In the current reporting period this class of securities includes the portfolio of investments acquired and held to cover the insurance and investment contracts concluded by the life insurance company belonging to the group. The realized and unrealized result from the revaluation of these securities is recorded in the income statement under “Other operating income/expense”. This group also includes the liquidity portfolio held to manage the liquidity risk, but simultaneously these investments are managed and evaluated to gain from fair value changes. Interest income on these instruments are recognized in income statement under “Interest income”. The realized and unrealized result from the revaluation of these securities is recorded in the income statement under “Net profit from financial activities”.

1.5.3. Available for sale financial assets

Securities are classified as available for sale financial assets, if they do not belong to one of the aforementioned categories: financial assets held for trading or other financial assets designated at fair value through profit or loss. Available-for-sale investments are intended to be held for an indefinite period of time, which may be sold in response to needs for liquidity or changes in interest rates, exchange rates or equity prices; or investments with strategic purpose for long-term holding.

Available for sale financial assets are recorded at fair value plus transaction costs on their settlement date. Subsequently they are carried at fair value. If the assessment of fair value is not reliable, the securities will be presented at amortized cost (i.e. original acquisition cost less possible write-downs for impairment). The gains and losses arising from changes in the fair value of available for sale financial assets are recognized directly in equity under “revaluation reserve”.

The Group assesses consistently whether there is objective evidence that a financial asset available for sale is impaired. In the case of equity investments classified as available for sale, a significant or prolonged decline in the fair value of the security below its cost is considered in determining whether the assets are impaired. If any such evidence exists for available-for-sale financial assets, the cumulative loss – measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognised in profit or loss – is removed from equity and recognised in the income statement. Impairment losses recognised in the income statement on equity instruments are not reversed through the income statement. If, in a subsequent period, the fair value of a debt instrument classified as available for sale increases and the increase can be objectively related to an event occurring after the impairment loss was recognised in profit or loss, the impairment loss is reversed through the income statement.

When the financial asset is derecognized the cumulative gain previously recognized in equity on that specific instrument is to the extent reversed from equity and the remaining portion is recognized in income statement under "Profit/loss from sale of long term investment".

Interest calculated using the effective interest method and foreign currency gains and losses on monetary assets classified as available for sale are recognised in the income statement. Dividends on available-for-sale equity instruments are recognised in the income statement when the entity’s right to receive payment is established.

1.6. Offsetting financial instruments

Financial assets and liabilities are offset and the net amount reported in the balance sheet only, when there is a legally enforceable right to offset and there is an intention to settle on net basis or realize the asset and settle the liability simultaneously.

1.7. Tangible and intangible assets other than goodwill

Land, buildings, IT equipment, office equipment and other assets of long-term use are recognized in the balance sheet as tangible non-current assets. Intangible assets are identifiable, non-monetary assets without physical substance and currently comprise of acquired software.

Tangible non-current assets and intangible assets are initially recognised at acquisition cost, consisting of the purchase price, nonrefundable taxes and other direct costs related to taking the asset into use.

Subsequent costs are included in the asset's carrying amount or are recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. All other repairs and maintenance are charged to other operating expenses during the financial period in which they are incurred.

Tangible non-current assets and intangible assets with finite useful lives are subsequently stated at historical cost less depreciation/amortization and any impairment losses. Depreciation/amortization is calculated starting from the month of acquisition until the carrying value reaches the residual value of the asset or if that is considered being insignificant the asset is fully depreciated. For assets having a substantial residual value, only the difference between the acquisition cost and the residual value is depreciated to expense over the useful lifetime of the asset. In case the residual value becomes greater than the carrying value of the asset, no further depreciation expense is calculated. Assets are depreciated/amortized on straight-line-basis.

Depreciation/amortization calculation is based on useful life of the asset, which serves as basis for forming the depreciation/amortization rates. Buildings are depreciated over 20-50 years, intangible assets with limited lifetime are amortized over 3-5 years, and other non-current tangible assets are depreciated over 2-10 years. Land is not depreciated and intangible assets with indefinite useful life are not amortized.

The appropriateness of depreciation/amortization rates, methods and residual values are consistently assessed.

The Group reviews tangible non-current assets and intangible assets for impairment losses whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognized for the amount by which the carrying amount of the asset exceeds its recoverable amount, which is the higher of an asset's net selling price and value in use. Depreciation, amortization and impairment is recorded in the income statement under "Value adjustments of investment properties, tangible and intangible assets".

Gains and losses on disposals are determined by comparing proceeds with carrying amount. These are included in other operating income / expenses in the income statement.

Capitalization of expenses
Reconstruction expenditures of bank offices are capitalized as tangible assets and are subsequently charged to the income statement on a straight-line basis over five years or over the period of the lease, if that is shorter.

Establishment and Development Costs
Establishment and development costs are not capitalized. Advertising expenses and the expenses for launching of new products, services and processes are recognized as an expense as incurred. Expenditures related to trademarks etc., developed by the company itself, are also recorded as expense as incurred.

1.8. Goodwill

Goodwill represents the excess of the cost of an acquisition over the fair value of the company's share of the net assets acquired at the date of acquisition, reflecting the part of the acquisition cost that was paid for the assets that are not separately identifiable for the balance sheet purposes. Goodwill acquired from acquisition of a subsidiary is recorded in balance sheet as an intangible asset on a separate line. Goodwill acquired from acquisition of an associate is included in the cost of an associate in the balance sheet. (Note 1.2.)

Goodwill is recorded in the balance sheet at the date of acquisition. Subsequently goodwill is recorded in its historical cost less any impairment losses recognized. Goodwill arising from business combinations is not depreciated. Goodwill is instead tested annually (or more frequently if events or changes in circumstances indicate that the impairment may have incurred) for impairment by comparing the carrying amount of the goodwill to its recoverable amount. Goodwill is allocated to cash-generating units for the purpose of impairment testing and the recoverable amount is determined by discounting the expected cash flows of the relevant cash generating unit. An impairment loss is recognized for the amount by which the carrying amount of the goodwill exceeds its recoverable amount.

Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold.

Amortization calculations for goodwill balances recognized as a result of business combinations incurred before 1 January 2005, have been terminated since 1 January 2005.

1.9. Investment properties

Investment properties comprise property (land, buildings), which is held for the purposes to earn rental income or gain from the growth in its market value (capital appreciation), and which is not occupied by the Group for its own business activities. Investment properties are initially recorded at acquisition cost, consisting of the purchase price and other direct costs related to its acquisition. Subsequently investment property is carried at fair value using discounted cash flow method. Changes in fair value are recorded in the income statement under "Value adjustments of investment properties, tangible and intangible assets". Investment property carried at fair value is not depreciated.

1.10. Non-financial assets held for sale

Assets held for sale are tangible or intangible assets, for which the management has commenced active sales activities and the assets are offered for sale at a reasonable price compared to their fair value, and where it is reasonably expected that these assets will be disposed within 12 months.

Assets are classified as assets held for sale and stated at the lower of carrying amount and fair value less costs to sell if their carrying amount is expected to be recovered principally through a sale transaction rather than through a continuing use.

Depreciation calculation is terminated for the assets held for sale. Assets held for sale are recorded in balance sheet under “other assets”.

1.11. Impairment of non-financial assets

Assets with an indefinite useful life are not subject to amortization and are tested annually for impairment, comparing the carrying value of the asset to its recoverable value. Assets that are subject to amortization are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. In such circumstances the recoverable value of the asset is assessed and compared to its carrying value. An impairment loss is recognized for the amount by which the asset’s carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset’s fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). Non-financial assets other than goodwill that suffered impairment are reviewed for possible reversal of the impairment at each reporting date.

1.12. Leases – a group / company is the lessee

Leases of assets where the company acquires substantially all the risks and rewards of ownership are classified as finance leases. Other leases are classified as operating leases.

Finance leases are capitalised at the inception of the lease at the lower of the fair value of the leased property or the present value of the minimum lease payments. Each lease payment is allocated between the repayment of a liability and finance charges (interest expense). The interest element of the finance cost is charged to the income statement over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period (effective interest rate method). Tangible non-current assets acquired under finance leases are depreciated similarly to acquired assets over the shorter of the useful life of the asset or the lease term.

Operating lease payments are recognised in income statement as expense over the rental period on straight line basis. The Group uses operating lease mainly for renting the buildings / premises. Rental expense is recognized in income statement as “other administrative expenses”.

1.13. Financial liabilities

Customer Deposits

Deposits are recognized in the balance sheet on their settlement date at fair value net of transaction costs and are subsequently measured at amortized cost using effective interest rate method and recorded on line “due to customers of credit institutions” without accrued interests, which is presented under a separate line in liabilities “accrued expenses and deferred income". Interest expenses are recorded in the income statement under "Interest expenses".

Borrowings and issued securities

Borrowings and issued securities are recognized initially at fair value net of transaction costs (the proceeds received, net of transaction costs incurred). Borrowings and issued securities are subsequently stated at amortized cost using the effective interest rate method; any difference between proceeds (net of transaction costs) and the redemption value is recognized in the income statement over the period of the instrument using effective interest rate.

The effective interest rate is the rate that exactly discounts the expected stream of future cash payments through maturity. The amortization of the transaction costs is presented in the income statement together with the interest expenses. The respective interest expenses are recorded in the income statement under "Interest expenses".

In case there is an unused limit for any borrowings, this is presented as contingent asset.

Financial liabilities of an investment contract

The life insurance company issues two types of investment contracts: unit-linked investment contracts and investment contracts with guaranteed interest.

For investment contracts with guaranteed interest, the amortised cost method is used for measurement. The financial liability comprises payments received from contracts and interest credited to the contracts, less administration fees and risk covers accounted for the past period. The annual guaranteed interest rate on these contracts remains between 3% and 4%, depending on the type of contract, time of conclusion and the currency of the specific contract. Depending on the type of contract, the interest rate is guaranteed either until maturity or for 5 years from conclusion of the contract, thereafter it may be adjusted. The financial liability also includes the amounts of additional profits assigned to the policyholders for the previous accounting years.

The financial liability of unit-linked contracts is recognised at fair value through profit and loss. The financial liability is dependent on the fair value of underlying financial assets. The fair value of the unit-linked financial liability is determined using the fair value of financial assets linked to the financial liability attributed to the policyholder on the balance sheet date.

1.14. Embedded derivatives

Embedded derivatives are usually separated from the host contract and accounted for in the same way as other derivatives (Note 1.5.2.). Embedded derivatives are not separated, if their economic characteristics and risks are closely related to the economic characteristics and risks of the host contract. However, in some circumstances also not closely related embedded derivatives may be not separated.

Some combined instruments (for example structured bonds), i.e. contracts that contain one or more embedded derivatives, are classified as a financial asset or financial liability at fair value through profit or loss. This choice means that the whole combined instrument is valued at fair value and that changes in fair value are recognized in profit or loss.

Other type of combined instruments (for example index linked deposits) are separated, so that host contract is recognised as deposit and measured at amortised cost using effective interest rate method, and embedded derivatives are recognised and measured at fair value.

1.15. Financial Guarantee contracts

Financial guarantee contracts are contracts that require the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payments when due, in accordance with the terms of a debt instrument. Such financial guarantees are given to banks, financial institutions, companies and other bodies on behalf of customers to secure loans, other banking facilities and liabilities to other parties.

Financial guarantees are initially recognised in the financial statements at fair value (contract value) on the date the guarantee was given. Subsequent to initial recognition, the bank's liabilities under such guarantees are recognized at the outstanding value of guarantee. In the income statement the fee income earned on a guarantee is recognised straight line basis over the life of the guarantee. The amounts disbursed to settle the guarantee obligation are recognized in the balance sheet on the date it becomes evident that the guarantee is to be disbursed.

1.16. Provisions

Provisions are recognised when the company has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation, and a reliable estimate of the amount can be made. The provisions are recognised based on the management's estimates regarding the amount and timing of the expected outflows.

When it is a probable that the provision is expected to realise later than 12 months after the balance sheet date it is recorded at discounted value (present value of expected outflows), unless the discounting effect is immaterial. Expense from provisions and from change in carrying value of provisions is recorded in the income statement for the period.

Life insurance technical provisions

Life insurance provision

Life insurance provision in the balance sheet includes obligations from insurance contracts to the policyholders calculated on basis of actuarial methods, and the unearned premiums' provision arising from transfer of the risk premium to the following accounting periods.

The provision is calculated on individual contractual basis and comprises of discounted present value of future outflows (sum insured, surrenders and calculated costs) less discounted present value of future premiums of the insurance contracts to be received. The future expenditures of the insurance contract and discounting interest rates used in calculation of the life insurance provision are the same values used in calculating the insurance premium for these contracts. The annual interest rate on these contracts remains between 2.5% and 4%, depending on the type of contract, time of conclusion and the currency of the specific contract. The life insurance provision includes also the amounts of additional profits assigned to the policyholders for the former contract years.

Provision for outstanding claims

Provision for outstanding claims includes the amount, covering estimated expenditures in connection with disbursements of sums insured and surrenders of insurance contracts, which are caused by insurance events or cancellation of contracts incurred before the end of the reporting period. Claims, reported before the balance sheet date, are assessed individually. The provision for claims, which are incurred but not reported (IBNR) by the balance sheet date, is calculated with a statistical estimation, based on the previous experience of dates of reporting and dates of incurring of claims. The provision should also cover costs for claims' settlement. The provision for outstanding claims is not discounted.

Provision for bonuses for insurance contracts

Provision for bonuses for insurance contracts includes amounts, which are based on the decision of management assigned to the insurance contracts in the reporting period and on the account of which the life insurance provisions or financial liabilities will be increased or bonus disbursements made in the following reporting periods.

Liability adequacy test

A liability adequacy test is carried out according to IFRS 4 on the liabilities of insurance contracts and investment contracts with discretionary participation feature, based on discounting the future estimated cash flows from the portfolio of contracts. The cash flows used in the test are expected contractual premiums, disbursements and administration costs by years. When estimating the future premiums and disbursements, the mortality, surrender rates and rates of converting into waiver of premiums, are estimated based on historical patterns of the existing portfolio of contracts. When estimating the future expected administration costs, the present average administration cost per contract is used as a basis. The resulting cash flow year by year has been discounted with the risk-free EUR interest rate of the respective year. EUR interest rate has been used as the Estonian kroon is pegged to EUR at a fixed rate since 1999 and EUR rates are considered most reliable for valuation purposes here, even more as also the majority of the investments (financial assets) matching the insurance liabilities and financial liabilities from investment contracts are nominated in EUR.

If the resulting value of the liabilities estimated with the given liability adequacy test becomes higher than the amount of liabilities (and/or provisions) calculated under the aforementioned approaches (less capitalized deferred acquisition costs), then firstly the capitalized deferred acquisition costs are decreased, followed by increase of liabilities and/or provisions (if necessary). The respective loss is presented in the income statement for the period.

Based on the results of the liability adequacy test performed as at the year end of 2006, the liabilities arising from currently in force insurance contracts and investment contracts with discretionary participation feature are sufficient. Risk free interest rate curve has the biggest influence to the results of liability adequacy test. Shifting down interest rate curve by 1% the result of test would rise by 118 million EEK, but corresponding liabilities and/or provisions would be still adequate. Minor impact to the test results have also assumptions made for predicting future cash flows. These are assumptions about mortality, lapses of contracts, surrenders of contracts and future administrative costs. But these are considered even less significant.

1.17. Classification and accounting principles of life insurance contracts

The Group issues contracts that transfer insurance risk or financial risk or both. According to IFRS 4 "Insurance Contracts" the contracts concluded by the life insurance company with its clients are classified as either insurance contracts or investment contracts. For the purpose of IFRS 4 insurance contracts are contracts which transfer significant insurance risk and whereby the group accepts significant insurance risk from the policyholder by agreeing to compensate the policyholder or other beneficiary on the occurrence of a defined insured event. Such contracts may also transfer financial risk.

As a general guideline the significant insurance risk is defined as the possibility of having to pay benefits on the occurrence of an insured event that are at least 10% more than the benefits payable if the insured event did not occur. Before 2006 we used 5% criteria for classification and changed it to 10% to unify classification in SEB group. Because of change in criteria no contract is reclassified from insurance contract to investment contract.

Investment contracts are financial instruments that do not meet the definition of an insurance contract; those contracts transfer financial risk and no significant insurance risk.

Revenue recognition

Premiums for insurance contracts are recognized as revenue when they are paid by the policyholders. For contracts where insurance risk premiums in a period are intended to cover the claims in that period, those premiums are recognized proportionally over the period of coverage.

Amounts received from and paid to the policyholders of investment contracts are accounted for as deposits received or repaid. Fees charged for managing investment contracts are recognized as revenue. These services are provided equally over the lifetime of a contract.

Recognition of costs

Costs for insurance contracts are recognized as an expense when incurred, which the exception of commissions and other acquisition costs that are directly related to acquisition of new contracts or renewing existing contracts. These are capitalized as deferred acquisition costs (Note 1.18). Insurance claims are recognized as expense when incurred.

Incremental costs directly attributable to securing an investment contract are deferred (Note 1.18.). All other costs of investment contracts, such as non-incremental acquisition costs or maintenance costs, are recognized in the accounting period in which they arise.

1.18. Capitalisation of acquisition costs

Acquisition costs of these insurance contracts, which are connected with premiums to be received in the future accounting periods, are deferred as prepaid expenses. Only direct acquisition costs, like the performance based salary paid for concluding the contracts and commission fees of contracts are deferred. Calculation is performed on the contractual basis and only for the insurance contracts, where the payment frequency is more than once a year. Depreciation of deferred acquisition costs is on straight-line basis, within period of two months to one year depending on the type of insurance contract.

Other acquisition costs are recognized in expense as incurred.

1.19. Reserves

According to the Income Tax Act valid until 2000 the credit institutions were able to form a tax exempt general banking reserve up to 5% of the loan portfolio to cover potential losses. Allocations to this reserve could be deducted from the taxable income.

According to the Commercial Code at least 5% of the net income has to be transferred into the statutory reserve capital every year, until the reserve capital comprises 10% of the share capital. The statutory reserve capital may be used for covering losses.

Eesti Ühispank profit for the year 1994, 1995, 1996 and 1997 has been allocated to that general banking reserve (except for 6.2 million kroons from the 1995-year profit). The reserve amounts to 298.5 million kroons, including also the statutory reserve capital according to the Commercial Code. In 1998-2006 the bank made no allocations to the reserves. In 2001-2006 the subsidiaries of Eesti Ühispank made allocations to the statutory reserves from their undistributed profits in the amount of 19.7 million kroons.

1.20. Revenue recognition

<u>Interest income and expense</u>
Interest income and expense is recognized in income statement for all interest-bearing financial instruments carried at amortized cost using the effective interest rate method. Interest income includes also similar income on interest bearing financial instruments classified at fair value through profit or loss (i.e. traded bonds, derivatives, etc).

The effective interest method is a method of calculating the amortized cost of a financial asset or a financial liability and of allocating the interest income or interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument to the net carrying amount of the financial asset or financial liability. When calculating the effective interest rate, the Group estimates cash flows considering all contractual terms of the financial instrument, but does not consider future credit losses. The calculation includes all significant fees paid or received between parties to the contract that are an integral part of the effective interest rate, transaction costs and all other premiums or discounts.

Once a financial asset or a group of similar financial assets has been written down as a result of an impairment loss, interest income is recognized using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss.

Fee and commission income

Fees and commissions are generally recognized on an accrual basis when the service has been provided. Credit issuance fees for loans/leases that, are deferred and recognized as an adjustment to the effective interest rate on the credit. Portfolio management and other advisory service fees, as well as wealth management and custody service fees are recognized based on the applicable service contracts, usually on an accrual basis. Asset management fees related to management of investment funds are recognized over the period the service is provided. Performance linked fees or fee components are recognised when the performance criteria are fulfilled.

Other transaction fee income and other income are recognized on accrual basis at the moment of executing the respective transactions.

1.21. Dividend income

Dividends are recognised in the income statement when the entity’s right to receive payment is established.

1.22. Recognition of day one profit and loss

The best evidence of fair value at initial recognition is the transaction price (ie, the fair value of the consideration given or received), unless the fair value of that instrument is evidenced by comparison with other observable current market transactions in the same instrument (ie, without modification or repackaging) or based on a valuation technique whose variables include only data from observable markets.

Profits on day one can be recognized when a valuation technique is used whose variables include data from observable markets. In other circumstances the day one profit is deferred over the life of transaction.

1.23. Taxation

Corporate income tax

According to the Income Tax Act, the annual profit earned by enterprises is not taxed in Estonia and thus there are no temporary differences between the tax bases and carrying values of assets and liabilities and no deferred tax assets or liabilities arise. Instead of taxing the net profit, the distribution of retained earnings is subject to the taxation at the rate of 22/78 (until 31.12.2006: 23/77 and until 31.12.2005 24/76) on the amount paid out as net dividends. The corporate income tax arising from the payment of dividends is accounted for as an expense in the period when dividends are declared, regardless of the actual payment date or the period for which the dividends are paid

Corporate income tax of foreign subsidiaries
Profits earned by foreign subsidiaries, adjusted with temporary and permanent differences between the tax bases of assets and liabilities and their carrying values in the balance sheet, are subject to corporate income tax. The tax rate applicable to SEB Russian Leasing belonging to the SEB Eesti Ühispank Group and registered in Russia is 24% from taxable income.

Deferred income tax
Deferred tax is provided for all temporary differences between the tax bases of assets and liabilities and their carrying values in the balance sheet. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the balance sheet date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled. Main temporary differences arise from different treatment of FX translation gains/losses for accounting and taxation purposes, depreciation of fixed assets and tax losses carried forward. Deferred tax assets are recognized in the balance sheet only if their realization is probable.

1.24 Repurchase agreements

Securities purchased under agreements to resell (‘reverse repos’) are recorded as loans and advances to other banks or customers, as appropriate. The difference between sale and repurchase price is treated as interest and accrued over the life of the agreements using the effective interest method. Securities lent to counterparties are also retained in the financial statements.

1.25. Fiduciary activities

The Group provides asset management services and offers fund management services. The assets owned by third parties, but managed by the Group, and income arising thereon, are excluded from these financial statements, as they are not assets of the Group.

1.26. Changes in accounting principles

Few changes were made in the presentation of items of income statement and balance sheet:

- Due to changes in presentation of income from sublease and respective utilities, other operating income and expenses have been both decreased in amount of 3,4 MEEK. The data of comparable period in amount of 4.2 MEEK has been adjusted respectively. Income statement presents fee- and commission expenses in amount 0.4 MEEK, which previously were presented under other operating expenses. The data of comparable period in amount of 0.4 MEEK has been adjusted respectively.
- Reinsurer’s part of life insurance technical provisions, which was formery accounted for as a reduction in insurance technical provisions is now recorded under “Accrued income and prepaid expenses” in amount of 0.3 million kroons. The data of comparable period have been adjusted accordingly in amount of 0.3 million kroons.
- The life insurance commission fees, profit sharing and expenses of bank and securities transactions in connection with own portfolio, have been reclassified in

income statement. Previously they were booked as reduction of other operating income, now they are presented under other operating expense: 2.2 MEEK in 2006 and 2.1 MEEK in 2005.

1.27. New International Financial Reporting Standards, amendments to published standards and interpretations by the International Financial Reporting Interpretations Committee.

a) Amendments to published standards and interpretations effective 1 January 2006

Implementation of amendments to standards or their interpretations did not result in material changes of existing accounting principles and had no significant impact on the group's financial result.

IAS 19 Amendment – Actuarial Gains and Losses, Group Plans and Disclosures.
As theGroup has no defined benefit obligations, the amendment has no impact on Group's financial statements.

IAS 21 Amendment – Net Investment in a Foreign Operation.

IAS 39 Amendment – Cash flow hedge accounting of forecasted intragroup transactions.
IAS 39 Amendment – The Fair Value Option.
The Group meets the criteria in the amendment and therefore continues to designate certain financial assets and financial liabilities at fair value through profit and loss.
IAS 39 and IFRS 4 Amendment − Financial Guarantee Contracts.
The measurement and disclosure requirements under IAS 39 have not resulted in a material change to the Group's polices.

IFRS 1 (Amendment), First-time Adoption of International Financial Reporting Standards
IFRS 6 (Amendment), Exploration for and Evaluation of Mineral Resources.
IFRIC 4, Determining whether an Arrangement contains a Lease.
IFRIC 5, Rights to Interests arising from Decommissioning, Restoration and Environmental Rehabilitation Funds.
IFRIC 6, Liabilities arising from Participating in a Specific Market – Waste Electrical and Electronic Equipment.
IFRS 1, IFRS 6, IFRIC 4, IFRIC 5 and IFRIC 6 are not relevant to the Group's operating activities and therefore have no substantial effect on the Group's accounting policies.

b) Interpretations issued but not yet effective

The Group has chosen not to early adopt the following standard and interpretations that were issued but are not yet effective for accounting periods beginning on 1. January 2006:
IAS 1 Amendment – Capital Disclosures - effective 1 January 2007
IFRS 7, Financial instruments: Disclosures – effective 1 January 2007
IFRS 8, Operating Segments – effective January 2008.
IFRIC 7, Applying the Restatement Approach under IAS 29 – effective 1 March 2006.
IFRIC 8, Scope of IFRS 2 – effective 1 May 2006.
IFRIC 9, Reassessment of embedded derivative – effective 1 June 2006.

IFRIC 10, Interim Financial Reporting and Impairment – effective 1 November 2006.
IFRIC 11, IFRS 2 − Group Treasury Share Transactions – effective 1 March 2007.
IFRIC 12, Service Concession Arrangements – effective 1 January 2009.

The application of these new interpretations will not have a material impact on the entity's financial statements in the period of initial application, except for IFRS 7, which will not have an impact of any measurement or recognition principles, but is expected to have an impact on presentation and disclosure.

2. Risk policy and management

Risk policy and structure

In its everyday activity SEB Eesti Ühispank is facing various risks, the management of which is an important and integral part of SEB Eesti Ühispank business activities. The ability of the organisation to identify, measure and control different risks, while maintaining an adequate capitalisation to meet unforeseen events, is an important input for the profitability of the entire company.

SEB Eesti Ühispank defines risk as the possibility of a negative deviation from an expected financial outcome. Main risk types are credit risk, market risk, operational risk and liquidity risk.

Risk management includes all activities relating to risk-taking, i.e. the processes and systems that SEB Eesti Ühispank has at its disposal in order to identify, measure, analyse, monitor and report defined risks at an early stage. Good internal control, which consists of rules, systems and routines including follow-up of compliance therewith, ensures that the business is carried out under safe, efficient and controlled forms.

The Management Board is responsible for establishing the main principles for management, control and co-ordination of all risks of SEB Eesti Ühispank and to decide on the limits for the various risks. Subordinated to the Management Board are established different committees with mandates to make decisions depending upon the type of risk. The Assets and Liabilities Committee (ALCO) plays the central role in risk management, approving of risk procedures, dealing with issues relating to the overall risk level and deciding and monitoring of various risk limits.

During 2006, the main development focus of risk management was: the improvement of market risk measurement system (EVAR) for better assessment of interest income sensitivity, continuing development of liquidity model, conducting regular operational risk self-assessments (ORSA), implementation of operational risk management information system (ORMIS) and ongoing participation in the project of implementing the Basel II requirements. Basel II is new capital adequacy framework which aims to converge regulative capital to the actual capital need of the bank according to its risk profile. Capital requirements for credit risk will reflect the actual risk better than the present rules, capital requirements for operational risk will be introduced and the risk management and internal capital assessment of banks will be subject to stricter scrutiny by the supervisors. Regarding credit risk SEB Eesti Ühispank priority in 2006 was to work out internal rating based credit risk assessment models to file an application to the supervisory authorities for starting to use the models from 2008.

Credit risk

Credit risk is a potential loss that may occur in case of improper fulfilment or non-compliance of the client with the contractual obligations as a result of failure of the client’s business operations or other factors.

The principles for measuring and taking credit risk are established with the SEB Eesti Ühispank Group credit policy.

The principles of credit policy are the following:
a) lending should be in line with credit policy;
b) lending should be based upon analysis;
c) the basis of all lending activity is credibility;
d) the purpose of the credit should be fully understood;
e) lending must be in proportion to the capacity to repay;
f) borrower should have an identified source of repayment and also a secondary source for repaying the loan;
g) the own equity investment of the borrower must be significant in relationship to the loan;
h) lending activity shall take into account any potential adverse effects in the business cycle;
i) lending shall be in line with the bank's profit goals.

Credit risk analysis related to a certain client involves several different activities, like evaluation of the risk of the borrower's background, structure, management and owner, economic environment and position of the borrower, analysis and evaluation of the business plan and submitted cash flow prognosis; evaluation of the familiarity, reliability and credit history of the client. Deciding on the risk taking is performed collegially by credit committees and by the authorised persons in accordance with the decision-making limits established by the bank's management.

Credit risks are mainly measured on two levels. For verifying the loan portfolio's exposure to credit risk, SEB Eesti Ühispank uses a portfolio diversification method. The division of financial obligations is monitored by different products, clients and industries. The Credit Area performs monthly analysis on the credit risk of loan portfolio and informs the bank's managing bodies of the results.

In respect to individual clients the bank prepares regular analyses on the borrowers' situation as well as their risk level. The analyses are based on annual and quarterly reports, on basis of which the financial situation is evaluated, as well as on credit history and information originating from other sources. Evaluation of the borrowers' reliability is of critical importance. Based on the results of the analysis, the clients - being legal persons in a counterparty group with credit risk assumed by SEB Eesti Ühispank Group exceeding 4,500,000 Estonian kroons – are divided into sixteen risk classes in accordance with the SEB Eesti Ühispank client rating system. Sixteen risk classes belong to 5 types of businesses; the division of rated portfolio by the types is given in the table below.

Risk class	Type of Business
1	Ordinary Business
2	
3	
4	
5	
6	
7	
8	
9	
10	
11	Restricted Business
12	Special Observation
13	Watch-list
14	
15	
16	Default

Type of Business	% of rated portfolio
Ordinary Business	89,8
Restricted Business	7,8
Special Observation	1,5
Watch-list	0,5
Default	0,4

According to the client rating system the risk class assignment is not required for companies or a group of companies with credit risk assumed by the group less than 4,500,000 Estonian kroons. Evaluation of these borrowers is based on the scoring model.

The scoring model for small corporates considers financial condition based on last two annual reports and last interim report, credit history with the bank and based on external credit history register, experience of the customer. The analyst evaluates correctness and quality of the information. The risk level of particular industry has some impact as well. The outcome of the scoring model is credit score, determining decision-making level.

In analysing loans to private individuals the credit scoring and left-to-live model is used. The model considers among other matters credit history, income, age, employment conditions and assets. The output of the model is credit score and lending recommendation based on the score.

Private individuals are on basis of their payment history divided into five risk classes:

Risk class	**Explanation**
1	Borrower makes prompt principal and interest payments, presumably there is no problem with loan repayment.
2	Financial position of the borrower is stable, however certain unfavourable factors may influence the loan repayment.
3	Financial position of the borrower is unstable, problems with making principal and interest payments.
4	Financial position of the borrower is weak; problems with further servicing of the loan.
5	Further loan servicing is unlikely.

Payment behaviour risk classes of private individuals are updated on monthly basis.

Review of the situation and risk level of legal persons is performed on regular basis, depending on the risk class assigned previously and any additional information available to the bank at least once a year. During the review the bank assesses the client's financial condition, risk level, regularity of fulfilling existing financial obligations and need for financing. As an important outcome, a risk class is updated for the client with group exposure exceeding 4,5 million kroons, which, depending on the risk class shall be valid for one year (1-10), half a year (11-12) or three months (13-16). With the resolution of a credit committee also a different term may be established to a certain client.

In 2006 the bank implemented behavioural scoring models for private individuals and small corporates. The models are based on the scoring models used in application analysis process. Part of the information (payment behaviour, financial situation of the corporates) is updated regularly, partly is used older information.

Primary responsibility for monitoring the quality of specific client and its loans lies with client executives, who should inform immediately to their department head and if necessary, to the credit area management of occurred problems and accordingly take necessary measures.

Provided, during the valuation of the loan it becomes evident that the loan or part of it is doubtful and the collateral is insufficient for covering the loan amount together with accrued interest and penalties, i.e. a loan loss is to be recognised and allowance will be established for the loan. Specific and collective allowances are established for individually appraised loans and separate allowances used for homogeneous groups of loans appraised on a group level. The purpose is to calculate and present the value of the loan portfolio as fairly and objectively as possible.

For decreasing real loan losses a separate department has been established within the Credit Area, handling problem loans and recovering written-off loans by using several methods in doing so: negotiations with clients, rehabilitation, execution and bankruptcy proceedings.

The credit control department and branch credit risk management department perform regular in-depth monitoring of the quality of the loan portfolio. Also the bank's internal audit carries out reviews on valuation of the loan portfolio. External auditors assess the valuation of the loan portfolio for the audit of financial statements' purposes. During the control for adherence to procedures, availability of required information and documents, regularity of loan servicing (repayments), adequacy of collateral and other factors influencing the risks is verified.

In order to diminish credit risk the bank has established a requirement for the borrowers to provide the bank with collateral in the form of registered immovable property, registered movable property and/or personal sureties as security. The principles for granting an unsecured loan are stated in the credit policy and are principally limited and restricted.

The pledged assets have to be insured throughout the loan period in an insurance firm accepted by the bank at least for the restoration value. In case of a housing loan also life insurance is required, if the borrower is contributing majority to the family's income. The aforementioned measures help to control and manage the credit risk as they serve as an alternative source for collecting the loan, in case the borrower is not able to repay the loan from primary cash flow.

Impaired loan

A loan should be classified as impaired if it is probable that the contractual payments will not be fulfilled and the value of the collateral does not cover both principal and accrued interest including penalty fees with a satisfactory margin. In these cases all the borrower's loans in the
Bank shall be considered impaired, unless there are specific reasons calling for a different evaluation.

Either of the following two points serves as a criterion that a loan should be classified as impaired:
• Impaired non-performing loan: The loan is more than 60 days past due date and the value of the collateral does not cover both principal and accrued interest including penalty fees with a satisfactory margin.
• Impaired performing loan: The Bank has determined that the value of the collateral does not cover both principal and accrued interest including penalty fee with a satisfactory margin.

Market risk

SEB Eesti Ühispank defines market risk as a potential loss resulting from the unexpected adverse changes in interest rates, foreign exchange rates, equity prices and associated volatilities.

Market risk may arise from the bank's activity at the financial markets and it has an impact on the majority of bank products: loans, deposits, securities, credit lines. SEB Eesti Ühispank calculates the risks on daily basis using different methods of risk valuation and management pursuant to the type of risk. Important role in risk prevention is diversification of risk assets and limitation for trading positions.

The risk assets can be divided into short-term or trading positions and long-term or investment positions. The purpose of trading positions is to earn profit on short-term price fluctuations.
Due to different risk characteristics the risks of trading positions and investment positions are valued individually. If necessary, different instruments facilitating risk management are used.

Maximum limits approved by the committees, which are in compliance with the limits set by the Bank of Estonia, form the basis for controlling and monitoring the risk of various instrument portfolios.

For positions related to market risk nominal limits are applied, which are monitored by trading portfolios on daily basis. Any limit breach shall be reported in accordance with the regulations of Market Risk Policy. In addition to the aforementioned, also scenario analysis is applied in market risk management, which is used for valuing the performance of trading positions in case of more extreme fluctuations in market variables.

The overall market risk is measured by using the "Value at Risk" (VAR) model. VAR is defined as a maximum potential loss that can arise with a certain degree of probability during a certain period of time. SEB Eesti Ühispank calculates VAR using a 99 percent confidence level and a ten-day time horizon. VAR model enables to effectively measure market risks associated with different instruments and the results are homogeneously comparable.

The reliability of VAR model is controlled using so called *back-testing*, where the actual profit/loss is compared with the profit/loss over the given period estimated with VAR model.

In addition to the regulatory prudential ratios the bank uses also Delta1% methodology for measuring the ALM (assets-liability mismatch) risk, arising from the structure of interest earning assets and interest bearing liabilities. SEB Eesti Ühispank defines Delta1% as decrease of potential return due to one-percent change in market rates. In Delta1% calculation it is assumed there is a parallel shift in the yield curve, which means that all interest rates (long- and short-term) will change by 100 b.p. Delta1% method enables to effectively measure the impact of interest rate changes to interest bearing assets and liabilities. Delta1% limit is monitored as a negative or positive net position respectively, depending of which one is higher.

The market risk "Capital at Risk" (CAR) is used to measure the bank's capital need for covering potential risks. CAR is calculated over a one-year period on a higher level of confidence (99.97%) and for the total balance sheet of the bank.

The market risk is one the most important risks for SEB Ühispanga Elukindlustus. Market risk in a life insurance company derives from the risk of investing the assets under insurance contracts and investment contracts with guaranteed interest. This risk is managed in SEB Ühispanga Elukindlustus with an investment policy, which establishes investment restrictions of the aforementioned assets between shares and bonds, as well as the diversification requirements of assumed positions towards the clients. The European Union is working on new insurer capital adequacy requirements under project Solvency II, where the assessment of market risk plays a major part. SEB Ühispanga Elukindlustus is making efforts to assess its market risk in conformity with the Solvency II project and in line with the practices of other SEB Group life insurance companies.

Liquidity risk

Liquidity risk is defined as the risk of a loss or substantially higher than expected costs due to inability of the bank to meet its payment commitments on time.

The bank's liquidity risk is regulated and managed on basis of the mandatory reserve of the Bank of Estonia and internal liquidity limits determined by ALCO. Liquidity risk is measured as cumulative cash flows arising from the assets and liabilities of the bank in various time bands. Liquidity management is based on special models reflecting cash flow behaviour in the case of different scenarios including crisis scenario.

Long-term liquidity of the bank is planned and control over liquidity risk management is executed by ALCO. Central and daily management of the bank's liquidity is the responsibility of the Treasury, and analysing that of the Risk Control department.

Fair value of financial assets and liabilities

SEB Eesti Ühispank estimates that the carrying amounts and fair values of those financial assets and liabilities not presented on the Group's balance sheet at their fair value do not differ substantially.

The fair value of floating rate loans is equal to their carrying amount as the risk margin remains unchanged and the base interest floats with market rate. The amount of fixed rate loans and advances to customers is relatively small in the Group's assets and the fair value including the effect of change in interest rates subsequent to issue of these loans is not significantly different from their carrying value as of balance sheet date.

Most of the customer deposits bear fixed interest rates, but the majority of fixed interest-bearing deposits have such short maturity (see page 46-47) that the difference between their carrying value and fair value is also insignificant as at balance sheet date. The estimated fair value of deposits with no stated maturity, which also includes non-interest-bearing deposits, is the amount repayable/receivable on demand (i.e. carrying value).

Balances due to credit institutions include fixed interest-bearing liabilities in the amount of 3,9 billion kroons with remaining interest fixation period over 1-year (see page 46). These credit lines are due to the parent bank SEB AG. The credit lines are agreed on current market terms and have not created any significant difference between their carrying value and the fair value as at the balance sheet date.
For insurance clients' financial liability there has been performed a liability adequacy test (see Note 1.16 on page 32 for results).

Operational risk

Operational risk is the possibility of a loss due to external events (e.g. natural disasters, external crime) as well as internal factors (breakdown of IT systems, fraud, non-compliance with laws and internal procedures and other internal control system deficiencies).

SEB Eesti Ühispank has established Operational Risk Committee (ORC) – top level advisory group to group's management on operational risk issues. Operational Risk Committee is a body guiding and co-ordinating the operational risk management in all units, including dealing with security issues, evaluation of technological risks and quality management, acting within the authority granted by the SEB Eesti Ühispank Management Board. Operational Risk Policy states minimum standards for operational risk management.

Following characterizes SEB Eesti Ühispank operational risk management framework:

- Reporting of operational risk events (losses, near misses and extraordinary gains) with automated routing of issues to responsible managers.
- Regular monitoring of Key Risk Indicators. Fluctuations of indicators and reasons of such fluctuations are discussed at monthly ORC meetings.
- Regular process of operational risk self-assessments (ORSA).
- Follow-up compliance with New Product Approval Process requirements to minimize operational risk in product development.

- Business continuity planning - establishing business continuity plans for most critical business processes, recovery plans for IT and insuring physical security in crisis situations.

In 2006 SEB Eesti Ühispank implemented operational risk management information system ORMIS which was introduced all over SEB Group. The system enables all staff to register risk-related issues and management at all levels is able to assess, monitor and mitigate risks and compile prompt and timely reports. The implementation was made as a part of the Basel II project for operational risk.

Insurance agreements concluded by SEB AB apply to SEB Eesti Ühispank and cover the following:

- crime insurance,
- professional indemnity,
- directors and officers liability,
- damage caused to a third party resulting from the activity of the bank.

Notes 3 - 43 to Financial Statements

(millions of EEK)

3. Interest income

	Group		Bank	
	2006	2005	2006	2005
Loans	1,954.6	1,216.1	1,919.1	1,236.2
Leasing loans	517.0	387.9	0.0	0.0
Deposits	70.6	25.7	70.0	25.5
Derivatives	40.5	16.5	41.3	17.5
Fixed income securities	72.1	1.0	72.1	5.6
Other	0.1	0.2	0.1	0.2
	2,654.9	**1,647.4**	**2,102.6**	**1,285.0**

4. Interest expenses

	Group		Bank	
	2006	2005	2006	2005
Interest to other banks	759.0	337.9	216.5	120.8
Time and other deposits	324.3	227.6	572.5	317.1
Demand deposits	270.7	130.6	277.5	130.4
Subordinated debts	58.1	13.8	58.1	13.8
Issued bonds	11.3	12.9	11.3	12.9
Due to government and foreign aid funds	4.5	5.6	2.2	2.6
Other	0.0	7.8	0.0	7.8
	1,427.9	**736.2**	**1,138.1**	**605.4**

5. Fee and commission income

	Group		Bank	
	2006	2005	2006	2005
Credit and payment cards	296.3	236.0	296.3	236.0
Credit contracts*	208.3	168.5	167.4	137.7
Securities market services	199.8	136.6	75.3	49.6
Transaction fees	118.6	89.3	119.1	89.8
Income from leasing agreements (full service)	47.8	44.0	0.0	0.0
Non-life insurance brokerage fees	38.3	26.6	4.0	3.8
Cash handling fees	16.4	13.5	16.4	13.5
Income from electronic channels	11.6	8.5	12.5	9.0
Other settlement fees	8.8	10.0	8.8	10.0
Other	31.3	30.2	12.5	14.1
	977.2	**763.2**	**712.3**	**563.5**

*

Credit contracts include loan, leasing, letter of credit and guarantee contracts signed with customers, which are short-term and do not constitute interest income, but are of administrative native for arrangement of credits.

6. Fee and commission expense

	Group		Bank	
	2006	2005	2006	2005
Credit and payment cards	153.1	121.3	153.1	121.3
Expenses to leasing agreements (full sevice)	40.6	31.8	0.0	0.0
Securities market	27.6	17.5	14.4	11.8
Money collecting fees	20.9	18.0	20.9	18.0
Transaction fees	19.3	15.5	18.7	15.0
Expenses of electronic channels	9.4	6.1	9.3	6.1
Other	11.0	7.7	9.4	5.0
	281.9	**217.9**	**225.8**	**177.2**

7. Net profit from financial activities

	Group		Bank	
	2006	2005	2006	2005
Trading securities	**10.0**	**9.2**	**10.0**	**9.2**
Profit from shares	7.1	2.6	7.1	2.6
Profit from fixed income securities	2.9	6.6	2.9	6.6
Derivatives	**18.8**	**3.3**	**18.8**	**3.3**
Equity derivatives	16.5	2.6	16.5	2.6
Currency derivatives	2.3	0.7	2.3	0.7
Income from foreign exchange	**129.9**	**94.4**	**123.9**	**94.7**
	158.7	**106.9**	**152.7**	**107.2**

8. Other adminastrive expenses

	Group		Bank	
	2006	2005	2006	2005
Advertizing and marketing	64.0	68.6	58.7	55.3
Premises cost (rental and utilities)	62.5	56.7	78.6	75.4
Other administrative cost	58.5	57.0	44.0	42.8
IT related expenses	49.3	45.0	54.6	46.2
Other personnel expenses	22.4	21.2	18.2	17.2
Other maintenance cost	10.0	19.7	3.4	14.5
	266.7	**268.2**	**257.5**	**251.4**

9. Value adjustments of advances and off-balance sheet commitments (+/-)

	Group		Bank	
	39082	38717	39082	38717
Allowances for advances to customers	**-30.7**	**19.6**	**-5.0**	**23.8**
loan allowances	-75.4	-46.4	-23.1	-29.4
recoveries from write-offs	9.1	9.4	8.4	6.9
reversals of allowances	35.6	56.6	9.6	46.3
Revaluation of seized assets	**-4.3**	**3.6**	**0.0**	**0.0**
	-35.0	**23.2**	**-5.0**	**23.8**

10. Other operating income

	Group		Bank	
	2006	2005	2006	2005
Result from Life Insurance business*	85.2	88.1	-	-
Penalties	3.0	0.9	0.3	0.2
Rent income	18.6	19.2	12.9	12.7
Gains on assets sales	52.0	0.1	25.9	0.0
Other income	27.9	17.0	23.8	15.5
	186.7	**125.3**	**62.9**	**28.4**

Rental income was earned from investment properties (Note 21) and partial rent-out of buildings in our own use.

* **Income from insurance activities**	Group	
	2006	2005
Net insurance premium revenue	162.1	138.7
Fair value gains (unrealized)	22.2	30.7
Fee income from investment contracts	13.2	7.1
Dividends recieved	0.7	0.6
Interest income	11.5	3.5
Realised gains on investments	4.6	14.7
Other operating income	1.7	0.3
Total income	**216.0**	**195.6**
Net insurance claims and disbursements	-130.8	-107.4
Fees for asset management services**	0.0	-0.1
Total expenses	**-130.8**	**-107.5**
Total net income from insurance activities	**85.2**	**88.1**

**asset management services are provided within the group by AS SEB Ühispanga Fondid

11. Other operating expense

	Group		Bank	
	2005	2004	2005	2004
Legal services	1.4	3.1	0.9	2.7
Penalties	0.2	2.7	-0.4	2.0
Finance Inspection and Deposit quarantee (float) cost	8.5	8.3	6.6	6.5
Income tax on not business oriented expenses	1.7	2.2	1.2	1.4
Cost on bad loans	0.9	1.0	0.9	1.0
Other value adjustments of advances	0.7	0.1	0.6	0.1
Cost on seized properties	0.0	2.0	0.0	0.0
Losses on sales of fixed assets	0.5	0.2	0.5	0.0
Other operating expenses	3.4	17.1	4.4	15.9
	17.3	**36.7**	**14.7**	**29.6**

Development Costs

Establishment and development costs are not capitalised. Advertising expenses and the launch of new products, services and processes are expensed as incurred. Expenditures related to trademarks, etc., to be developed inside the company are also expensed at the moment of their occurrence.

In 2006 SEB Eesti Ühispank had expenses for the developing IT systems and electronic products in total amount of 40,1 million kroons (37,3 million kroons in 2005).

12. Income tax of financial period

	Group		Bank	
	2006	2005	2006	2005
Income tax from annual profit	-16.9	-3.1	0.0	0.0
Deferred tax expense (Note 24)	2.7	-2.7	0.0	0.0
Adjustments	0.0	-0.4	0.0	0.0
Total tax expense	**-14.2**	**-6.2**	**0.0**	**0.0**

The Group activities include activities in Estonia and Russia.

According to Estonian Income tax law profits earned by the Group are not subject to income tax. The Group's activities in Russia are subject to Russian Income tax law.

The income tax rate in Russia is 24% of the taxable income. All deferred income tax expense is related to SEB russian Leasing. Following is the reconcilation of the net income before tax earned in Russia to the effective tax expense:

	2006	2005
Profit before tax in Russia	19.0	10.7
Tax rate applicable in Russia (24%)	4.6	2.6
Tax on expenses not deductible for tax purposes	9.6	3.6
Income tax expense	14.2	6.2

13. Balances with the central bank

	Group		Bank	
	31.12.06	31.12.05	31.12.06	31.12.05
Balances with the central bank	2,412.8	2,231.1	2,412.8	2,231.1

Estonian commercial banks are obliged to maintain mandatory reserves on their clearing accounts with the Central Bank, calculated on 15% of the mandatory reserve basis. Mandatory reserve requirement as of 31.12.06 was 7,216.6 million kroons (31.12.05: 4,076.4).

Mandatory reserve on the correspondent account of the Bank of Estonia is monitored on basis of monthly average. As of 01.07.2001 the reserve may be filled with external assets in the amount of 50% from the monthly average mandatory reserve requirement. As at 31.12.06 the reserve requirement was filled by balances with central bank, financial assets held for trading and financial assets at fair value through profit or loss at inception.

Mandatory reserve deposits are available for use by the Group's day-to-day business. Mandatory reserve earns interest.

14. Loans and advances to credit institutions

	Group		Bank	
	31.12.06	31.12.05	31.12.06	31.12.05
Reverse repos*	1,079.6	1,486.5	1,079.6	1,486.5
Demand deposits*	796.7	239.0	793.9	237.8
Time deposits	62.4	193.9	62.5	175.5
Other*	5.1	4.7	5.1	4.7
	1,943.8	**1,924.1**	**1,941.1**	**1,904.5**

* Cash equivalents

15. Loans and advances to customers

	Group		Bank	
	31.12.06	31.12.05	31.12.06	31.12.05
Loans	46,417.8	30,868.0	46,925	31,170
Overdrafts	1,968.2	1,649.8	2,339.2	1,913.0
Leasing	10,914.9	8,434.6	-	-
Factoring	897.4	975.2	-	-
Insurance recievables	1.9	1.9	-	-
	60,200.2	**41,929.5**	**49,263.7**	**33,082.8**

Loans and advances by customer type	Group		Bank	
	31.12.06	31.12.05	31.12.06	31.12.05
Due from corporate customers	37,337.0	27,205.3	27,712.5	19,493.8
Due from individuals	22,863.2	14,724.2	21,551	13,589
	60,200.2	**41,929.5**	**49,263.7**	**33,082.8**

Loan portfolio by countries and by economic sector presented in notes 35 and 36.

Gross and net investments on finance leases	Group	
	31.12.06	31.12.05
Gross investment	**12,393.5**	**9,571.6**
up to 1 year	3,613.4	2,670.8
1 - 5 years	7,791.3	6,017.6
over 5 years	988.8	883.2
Unearned future finance income on finance leases (-)	**1,195.2**	**987.9**
Net investment in finance leases	**10,914.9**	**8,434.5**
up to 1 year	3,128.2	2,309.1
1 - 5 years	6,951.1	5,392.9
over 5 years	835.6	732.5

	31.12.06	31.12.05
Net investment in finance leases by interest rates	**10,914.9**	**8,434.5**
<= 5 %	4,488.1	4,638.8
5-10 %	6,410.0	3,790.2
10-15 %	16.3	4.8
>15 %	0.5	0.7

	31.12.06	31.12.05
Net investment in finance leases by base currencies	**10,914.9**	**8,434.5**
EEK	191.7	224.1
EEK related to EUR	8,149.5	6,178.6
RUB	0.0	0.0
USD	795.8	1,259.7
EUR	1,777.9	772.1

16. Allowances for doubtful debt

	Group		Bank	
	31.12.06	31.12.05	31.12.06	31.12.05
At the beginning of period (31.12.05)	203.7	278.6	146.1	219.2
Loan allowances provided	75.4	46.4	10.3	18.9
Reversals of allowances	-35.6	-56.6	3.2	-35.8
Allowances on loans and advances written off	-6.8	-66.8	-5.9	-58.4
Exchange rate adjustments	-1.1	2.1	-0.8	2.2
At end of period (31.12.06)	**235.6**	**203.7**	**152.9**	**146.1**
Recoveries from write-offs	9.1	9.4	8.4	6.9

17. Information about loans and advances, restructured during the 2006

No larger loans and advances were restructured during the year 2006.

18. Securities

	Group		Bank	
	31.12.06	31.12.05	31.12.06	31.12.05
Financial assets held for trading	**90.0**	**43.8**	**90.1**	**43.8**
Shares	14.0	32.9	14.0	32.9
incl. listed	14.0	32.9	14.0	32.9
Debt securities and other fixed income securities	76.0	10.9	76.1	10.9
incl. listed	19.2	0.0	19.2	0.0
Derivatives	**17.4**	**22.0**	**17.9**	**22.7**
Financial assets at fair value through profit or loss at inception	**3,612.5**	**1,301.2**	**2,549.3**	**539.2**
Shares	673.4	478.8	0.0	0.0
incl. listed	194.6	406.3	0.0	0.0
Debt securities and other fixed income securities *	2,939.1	822.4	2,549.3	539.2
incl. listed	2,865.7	788.7	2,549.3	539.2
Available for sale financial assets	**74.6**	**48.7**	**11.7**	**6.0**
Shares	74.3	48.0	11.4	5.2
incl. listed	69.2	0.0	6.4	0.0
Debt securities and other fixed income securities	0.3	0.7	0.3	0.8
incl. listed	0.0	0.0	0.0	0.0
Investments in associates	**42.9**	**28.5**	**19.9**	**12.9**
Investments in subsidaries	**0.0**	**0.0**	**303.9**	**346.7**
Securities total	**3,837.4**	**1,444.2**	**2,992.8**	**971.3**

* The above debt securities designated at fair value at inception consist of two classes of financial assets:
- insurance clients' financial assets (2006: 389.8 MEEK, 2005: 283.2 MEEK).
- liquidity management financial assets (2006: 2549.3 MEEK, 2005: 539.2 MEEK).

Both are managed and their performance is evaluated on a fair value basis in accordance with a risk management strategy, and where information about these financial assets is reported to management on that basis. Additionally insurance clients' financial assets are matched to their investment contract liabilities (Note 28).

Investments in associates of group

	Nominal value (EEK)	Assets	Liabili-ties	Income	Calculated profit/-loss on equity method	Balance value	Owner-ship (%)
2006							
SEB IT Partner Estonia OÜ	17500	8.3	3.4	19.9	0.1	1.7	35.00%
AS Sertifitseerimiskeskus	100000	43.8	11.4	14.2	0.0	8.1	25.00%
Pankade Kaardikeskuse AS	1000	81.4	2.8	47.7	8.5	32.7	41.52%
OÜ TietoEnator Support	20000	2.5	2.3	13.1	-0.1	0.4	20.00%
Kokku		**136.0**	**19.9**	**94.9**	**8.5**	**42.9**	
2005							
SEB IT Partner Estonia OÜ	17500	6.5	1.9	18.8	0.5	1.6	35.00%
AS Sertifitseerimiskeskus	100000	15.6	11.5	12.5	-0.8	1.0	25.00%
Pankade Kaardikeskuse AS	1000	61.3	3.1	37.4	5.8	24.1	41.52%
OÜ TietoEnator Support	20000	2.3	1.4	9.0	0.0	0.6	20.00%
AS Eesti Liisingukeskus (likvideerimisel)	400000	3.4	0.0	0.1	0.0	1.2	33.33%
Kokku		**89.1**	**17.9**	**77.8**	**12.2**	**28.5**	

Share of the Group from the net assets of associates equals to the carrying value of the investment in the Group financial statements, except for investment in OÜ TietoEnator Support, where the goodwill in amount of 0.4 million kroons is included in the carrying value of investment.

Acquisitions and disposals of associated companies and subsidaries

Acquisitions

In the 2006 the share capital in associated company AS Sertifitseerimiskeskus was increased by issuing new shares. The issued shares were subscribed proportionally by the existing shareholders pursuant to their existing holding. Additional contribution of AS SEB Eesti Ühispank into share capital was 7.0 MEEK.

In December 2005, SEB Eesti Ühispank acquired a 20%-holding in an Estonian private limited company OÜ TietoEnator Support. The main field of business of the company is IT consultations and programming. Since the acquisition took place at the end of the period under review, the group has not accounted for any profit or loss from the result of the company at equity method. If the acquisition had taken place on 01.01.2005 or before, the loss calculated at equity method would have been booked in the amount of 0.1 MEEK in the SEB Eesti Ühispank Group for the year 2005.

Disposals

In 2006, AS SEB Eesti Ühispank liquidated its 100%-owned subsidiary AS Ühisinvesteeringud. According to the distribution plan of the liquidation report of the company, the parent company collected 38.8 MEEK.

During the accounting year the associated company AS Eesti Liisingukeskus was liquidated and according to the distribution plan of the liquidation report AS SEB Ühisliising collected 1.1MEEK.

In August 2005, SEB Eesti Ühispank sold its 50%-holding in AS Intergate. The company is operating in Estonia as a developer of information technology investment projects. During the period under review, starting from 01.01.2005 until completion of the sale, SEB Eesti Ühispank Group accounted for profit at equity method in amount of 6.7 MEEK.

19. Intangible assets

	Group			Bank		
	Goodwill	**Other**	**Total**	**Goodwill**	**Other**	**Total**
At the beginning of period (01.01.05)						
Cost	379.1	78.1	457.2	623.2	76.6	699.8
Accumulated depreciation	0.0	-59.7	-59.7	-244.1	-58.1	-302.2
Carrying value	**379.1**	**18.4**	**397.5**	**379.1**	**18.5**	**397.6**
Opening carrying value	**379.1**	**18.4**	**397.5**	**379.1**	**18.5**	**397.6**
Additions	0.0	1.8	1.8	0.0	1.7	1.7
Depreciation charge	0.0	-7.8	-7.8	0.0	-7.8	-7.8
Closing carrying value	**379.1**	**12.4**	**391.5**	**379.1**	**12.4**	**391.5**
At end of period (31.12.05)						
Cost	379.1	75.4	454.5	623.2	73.8	697.0
Accumulated depreciation	0.0	-63.0	-63.0	-244.1	-61.4	-305.5
Carrying value	**379.1**	**12.4**	**391.5**	**379.1**	**12.4**	**391.5**
At the beginning of period (01.01.06)						
Cost	379.1	75.4	454.5	623.2	73.8	697.0
Accumulated depreciation	0.0	-63.0	-63.0	-244.1	-61.4	-305.5
Carrying value	**379.1**	**12.4**	**391.5**	**379.1**	**12.4**	**391.5**
Opening carrying value	**379.1**	**12.4**	**391.5**	**379.1**	**12.4**	**391.5**
Additions	0.0	1.7	1.7	0.0	1.7	1.7
Depreciation charge	0.0	-6.1	-6.1	0.0	-6.1	-6.1
Closing carrying value	**379.1**	**8.0**	**387.1**	**379.1**	**8.0**	**387.1**
At end of period (31.12.06)						
Cost	379.1	76.5	455.6	379.1	75.0	454.1
Accumulated depreciation	0.0	-68.5	-68.5	0.0	-67.0	-67.0
Carrying value	**379.1**	**8.0**	**387.1**	**379.1**	**8.0**	**387.1**

Goodwill

Goodwill is revised annually for impairment, or more frequently when there are indications that impairment may have occured. There was no impairment identified in 2006 (2005 nil).

The cash generating unit is SEB Eesti Ühispank. The impairment test has been based on values in use with forecasted cash flows for a period of five years. The cash flow is determined based on historical performance and market trends for key assumptions such as growth and cost/income ratio. The growth rate used after five years are principally the expected long-term inflation rate 2 per cent. The used discount rate is 9 per cent. A sensitivity analysis where the discount rate and growth rate, respectively, were changed with one percentage point did not result in calculated recoverable amount below the carrying amount, but exceeded that significantly.

20. Tangible assets

	Group				Bank			
At the beginning of period (01.01.05)	**Land**	**Buildings**	**Other assets**	**Total**	**Land**	**Buildings**	**Other assets**	**Total**
Cost	7.4	551.0	453.0	1,011.4	1.6	203.7	412.1	617.4
Accumulated depreciation	0.0	-117.6	-300.0	-417.6	0.0	-68.4	-280.0	-348.4
Carrying value	**7.4**	**433.4**	**153.0**	**593.8**	**1.6**	**135.3**	**132.1**	**269.0**
Opening carrying value	**7.4**	**433.4**	**153.0**	**593.8**	**1.6**	**135.3**	**132.1**	**269.0**
Additions	0.1	4.1	75.2	79.4	0.1	3.4	51.0	54.5
Disposals (carrying value)	0.0	-0.3	-13.9	-14.2	0.0	-0.1	-5.5	-5.6
Depreciation charge	0.0	-12.8	-57.6	-70.4	0.0	-5.7	-50.3	-56.0
Closing carrying value	**7.5**	**424.4**	**156.7**	**588.6**	**1.7**	**132.9**	**127.3**	**261.9**
At end of period (31.12.05)								
Cost	7.5	551.8	463.1	1,022.4	1.7	204.8	410.8	617.3
Accumulated depreciation	0.0	-127.3	-306.5	-433.8	0.0	-71.9	-283.5	-355.4
Carrying value	**7.5**	**424.5**	**156.6**	**588.6**	**1.7**	**132.9**	**127.3**	**261.9**

At the beginning of period (01.01.06)	**Land**	**Buildings**	**Other assets**	**Total**	**Land**	**Buildings**	**Other assets**	**Total**
Cost	7.5	551.8	463.1	1,022.4	1.7	204.8	410.8	617.3
Accumulated depreciation	0.0	-127.3	-306.5	-433.8	0.0	-71.9	-283.5	-355.4
Carrying value	**7.5**	**424.5**	**156.6**	**588.6**	**1.7**	**132.9**	**127.3**	**261.9**
Opening carrying value	**7.5**	**424.5**	**156.6**	**588.6**	**1.7**	**132.9**	**127.3**	**261.9**
Additions	0.2	2.4	48.0	50.6	0.2	2.5	34.7	37.4
Disposals (carrying value)	0.0	-5.6	-12.3	-17.9	0.0	-2.9	-5.5	-8.4
Depreciation charge	0.0	-9.5	-54.9	-64.4	0.0	-4.8	-45.8	-50.6
Reclassification (Note 22)	-7.2	-405.2	0.0	-412.4	-1.4	-121.5	0.0	-122.9
Closing carrying value	**0.5**	**6.6**	**137.4**	**144.5**	**0.5**	**6.2**	**110.7**	**117.4**
At end of period (31.12.06)								
Cost	0.5	39.4	471.0	510.9	0.5	34.2	417.3	452.0
Accumulated depreciation	0.0	-32.8	-333.6	-366.4	0.0	-28.0	-306.6	-334.6
Carrying value	**0.5**	**6.6**	**137.4**	**144.5**	**0.5**	**6.2**	**110.7**	**117.4**

21. Investment properties

	Group	Bank
At the beginning of period (01.01.05)		
Cost	129.6	100.8
Accumulated depreciation	-20.8	-15.2
Carrying value	**108.8**	**85.6**
Change of accounting principles (IAS40) 01.01.2005		
Investment property at fair value	108.8	85.6
At the beginning of the period (01.01.05)	**108.8**	**85.6**
At the end of the period (31.12.05)	**108.8**	**85.6**
At the beginning of period (01.01.06)		
Cost	108.8	100.8
Accumulated depreciation	0.0	-15.2
Carrying value	**108.8**	**85.6**
Opening carrying value	**108.8**	**85.6**
Additions	0.1	0.1
Disposals (carrying value)	-27.9	-4.7
Reclassification (Note 22)	-81.0	-81.0
At end of period (31.12.06)	**0.0**	**0.0**
At end of period (31.12.06)		
Cost	0.0	0.0
Accumulated depreciation	0.0	0.0
Carrying value	**0.0**	**0.0**

	Group		Bank	
	31.12.06	**31.12.05**	**31.12.06**	**31.12.05**
Rent income from investment properties	7.1	11.5	6.5	9.5
Expenses for generating rent income	2.1	3.4	1.6	2.4
	5.0	**8.1**	**4.9**	**7.1**

Total fair value of real estate investments did not differ materially from the accounting value accordingly, no adjustments had been made by objects. For finding a fair value the usage value was appraised analytically on basis of annual cash flows, using the estimated discount rate.

Income and expenses on investment properties are recorded here until the sale of the property or reclassification of assets into assets held for sale on September 1, 2006 (Note 22).

22. Other assets

	Group		Bank	
	31.12.06	31.12.05	31.12.06	31.12.05
Payments in transit	396.9	240.7	396.4	240.6
Assets held for sale (Notes 1.21, 20, 21) *	506.4	33.8	183.1	2.8
Allowances for losses from other recievables	-6.9	-4.2	0.0	0.0
	896.4	**270.3**	**579.5**	**243.4**

* This number includes also other group assets held for sale

The management has decided, in line with its strategy of not owning properties, to sell the property holdings. In connection with that the properties at the end of the year in amount of 490,7 MEEK have been classifies as "Assets held for sale". Depreciation calculation is terminated for the assets held for sale since the reclassification on September 1, 2006. Assets held for sale reclassified in September were assessed to evaluate if the net realisable value (net of selling cost) is higher for each reclassified asset, than its current carrying value at the time of reclassification. No loss were recognised. Impairment is assessed, when there are any indications, but currently there have been none.

23. Accrued income and prepaid expenses

	Group		Bank	
	31.12.06	31.12.05	31.12.06	31.12.05
Accured revenue and prepaid expenses	371.4	461.9	118.9	83.5
Accrued interest receivable	183.9	103.4	154.9	84.0
Prepaid taxes	138.4	63.2	0.0	0.0
Deferred tax asset (Notes 12, 24)	2.7	0.0	0.0	0.0
	696.4	**628.5**	**273.8**	**167.5**

* maksude ettemaksed sisaldavad ainult käibemaksu nõuet

24. Deferred income tax

	Group		Bank	
	31.12.06	31.12.05	31.12.05	31.12.04
Deferred tax assets in subsidary SEB Russian Leasing				
At the beginning of period	0.0	0.8	0.0	0.0
Deferred tax expenses / income	2.7	0.0	0.0	0.8
Realised deferred tax expenses	0.0	-0.8	0.0	0.0
At end of period	**2.7**	**0.0**	**0.0**	**0.8**
Deferred tax liabilities in subsidary SEB Russian Leasing				
At the beginning of period	1.9	0.0	0.0	0.0
Accelerated tax depreciation	0.0	1.9	0.0	0.0
At end of period	**1.9**	**1.9**	**0.0**	**0.0**

25. Due to credit institutions

	Group		Bank	
	31.12.06	31.12.05	31.12.06	31.12.05
Demand deposits	1,792.3	161.6	1,792.2	161.6
Time deposits and loans (maturity up to 1 year)	8,368.8	4,689.1	7,258.0	4,360.6
Time deposits and loans (maturity more than 1 year)	17,132.9	9,932.4	8,234.0	1,941.2
	27,294.0	**14,783.1**	**17,284.2**	**6,463.4**

In 2005 the bank took credit lines from KFW (Kreditanstalt für Wiederaufbau) 4.5 million EUR with maturity 15.09.2009 and 9,1 million EUR with maturity 15.09.2014.

26. Due to customers

	Group		Bank	
	31.12.06	31.12.05	31.12.06	31.12.05
Demand deposits	18,765.9	14,811.9	19,297.3	15,123.6
Time deposits and other deposits, insurance	12,868.8	11,767.6	12,879.0	11,767.3
Investment deposits (index-linked)	1,161.1	496.5	1,161.1	496.5
	32,795.8	**27,076.0**	**33,337.4**	**27,387.4**
Non residents	3,667.6	2,860.0	3,667.6	2,860.7
Residents	29,128.2	24,216.0	29,669.8	24,526.7
	32,795.8	**27,076.0**	**33,337.4**	**27,387.4**
Due to customers by type of customer				
Due to corporate customers	21,667.3	19,062.0	24,275.6	20,389.3
Due to individuals	11,128.5	8,014.0	9,062	6,998
	32,795.8	**27,076.0**	**33,337.4**	**27,387.4**

See by remaining maturity in table "Liquidity" on page 14.

Customer assets under management of the group

As of 31.12.2006 the customer securities portfolios under management of the group amounted to 2069,9 million kroons (including 508,1 million in portfolio of Ühispanga Elukindlustus). The total volume of aforementioned portfolios as of 31.12.2005 was 1803,7 million kroons (including 382,0 million in portfolio of SEB Ühispanga Elukindlustus). Commission fee is received from management of these portfolios and no credit or market risk is born by the group.

As at 31.12.2006 the group's Asset Management Company belonging to the Group managed 9 investment and pension funds (i.e. 5 open-end investment funds, 2 mandatory pension funds and 2 voluntary pension fund) with average total volume of 5,9 billion kroons. As at 31.12.2005 the Asset Management Company belonging to the Group managed 9 investment and pension funds (i.e. 5 open-end investment funds, 2 mandatory pension funds and 2 voluntary pension fund) with average total volume of 4,5 billion kroons. Investment management service is also performed to the SEB (parent Group) funds (4 funds) 14,6 billion kroons, as at 2005 8,7 billion kroons.

27. Issued debt securities

31.12.06

Buyer / Registry holder	Amount in foreign currency (mio)		Amount in EEKmio	Interest rate	Maturity date
Issued bonds by AS SEB Eesti Ühispank:					
Clients of structured bonds	2.0	EUR	30.6	0.00%	29.09.10
Clients of structured bonds	0.0	EUR	1.3	0.00%	20.04.07
Estonian Central Register of Securities	193.2	EEK	193.2	3.33%	14.06.07
Estonian Central Register of Securities	84.2	EEK	84.2	3.71%	01.10.07
			309.3		

31.12.05

Buyer / Registry holder	Amount in foreign currency (mio)		Amount in EEKmio	Interest rate	Maturity date
Issued bonds by AS SEB Eesti Ühispank:					
Estonian Central Register of Securities	293.2	EEK	293.2	2.55%	31.03.06
Estonian Unemployment Insurance	6.0	EEK	6.0	0.00%	11.10.06
			299.2		

28. Other liabilities

	Group		Bank	
	31.12.06	**31.12.05**	**31.12.06**	**31.12.05**
Payments in transit	748.1	608.2	738.5	604.1
Factoring balances	62.4	70.2	0.0	0.0
Insurance financial liabilities	655.5	408.6	-	-
	1,466.0	**1,087.0**	**738.5**	**604.1**

29. Accrued expenses and deferred income

	Group		Bank	
	31.12.06	**31.12.05**	**31.12.06**	**31.12.05**
Income tax payable	0.0	0.6	0.0	0.0
Other tax liabilities	21.7	35.3	15.1	13.2
Accrued interest payable	294.1	152.0	215.0	104.9
Prepayments from leasing customers	60.0	96.6	-	-
Other accrued expenses	244.2	138.1	118.5	96.9
	620.0	**422.6**	**348.6**	**215.0**

30. Provisions in group

	Life insurance provision	Provision of unsettled claims	Bonus provision	Technical provisions total
Insurance technical provisions as at 01.01.2005	**214.0**	**2.5**	**4.7**	**221.2**
Added to the insurance technical provisions	4.7	0.0	-4.7	0.0
Calculated during the period under review	82.2	-0.4	7.9	89.7
Total technical provisions of insurance as at 31.12.05.	**300.9**	**2.1**	**7.9**	**310.9**
Other provisions (legal claims)	-	-	-	2.8
Total probisions 31.12.2005	-	-	-	**313.7**
Insurance technical provisions as at 01.01.2006	**300.9**	**2.1**	**7.9**	**310.9**
Added to the insurance technical provisions	7.9	0.0	-7.9	0.0
Calculated during the period under review	96.4	1.3	6.3	104.0
Total technical provisions of insurance as at 31.12.06.	**405.2**	**3.4**	**6.3**	**414.9**
Other provisions (legal claims)	-	-	-	2.8
Total provisions 31.12.2006	-	-	-	**417.7**

31. Subordinated liabilities

31.12.06

	Amount in foreign currency (mio)	Amount	Interest rate	Maturity date
SEB	17.0 EUR	266.0	4,56 %	21.12.16
SEB	50.0 EUR	782.3	4,48 %	23.09.15
SEB	50.0 EUR	782.3	4,51 %	26.05.16
		1,830.7		

31.12.05

	Amount in foreign currency (mio)	Amount	Interest rate	Maturity date
SEB	17.0 EUR	266.0	2,14 %	21.12.11
SEB	50.0 EUR	782.3	2,22 %	23.09.15
		1,048.3		

Subordinated debt may be considered as hybrid instrument, which due to their partial capital nature may be included under the bank's own funds in case certain requirements are met. In calculation of capital adequacy, loans with the remaining maturity over 5 years meeting certain requirements are included in own funds. Regarding loans with maturity less than 5 years, a 20% straightline depreciation is applied in each following year, thus the loan is not considered own funds when the maturity period is less than one year.

Subordinated debt is issued at a variable interest rate and the interest restatemant is sheduled within 12 monthly from the balance sheet date. Interest is restated for 6 months period in advance. Subordinated debt is repayable only on maturity.

32. Shareholders

Names, countries and ownership

	Country	Number of shares	% from total number of shares
Shareholders of AS SEB Eesti Ühispank at 31.12.2006:			
Skandinaviska Enskilda Banken (SEB)	Sweden	66,562,381	100.00
Shareholders of AS SEB Eesti Ühispank at 31.12.2005:			
Skandinaviska Enskilda Banken (SEB)	Sweden	66,562,381	100.00

Nominal value of shares: 10 EEK
Maximum number of shares in articles of association: 240,000,000
All shares are paid for.

SEB AB is the ultimate parent of AS SEB Eesti Ühispank. SEB AB (registered in Sweden) does not have a controlling parent company.

See capital adequacy calculation on page 13.

33. Dividend policy

SEB Eesti Ühispank is 100%-owned by SEB. In working out the strategy for equity management, profit distribution and formation of reserves the bank is following the common approach of future risks and performance strategy of the SEB Group. The Group has not paid any dividend since aquisition by SEB AB.

34. Off-Balance sheet items

(millions of EEK)

31.12.06	Group Assets	Group Liabilities	Bank Assets	Bank Liabilities
1.Irrevocable transactions	**259.7**	**10,588.1**	**259.7**	**10,539.3**
1.1. Guarantees and pledges	259.7	2,981.4	259.7	3,171.5
incl. financial guarantees	234.7	783.1	234.7	783.1
1.2. Stand-by Loans	0.0	7,606.7	0.0	7,367.8
2. Derivatives	**6,462.6**	**6,476.2**	**6,517.5**	**6,531.5**
2.1. Currency Rate based Derivatives	4,754.0	4,767.7	4,808.9	4,823.0
incl forwards	370.8	375.1	370.9	375.1
swaps	2,110.6	2,120.3	2,165.4	2,175.6
options, written / purchased	1,687.1	1,687.1	1,687.1	1,687.1
others (spots)	585.5	585.2	585.5	585.2
2.2. Interest Rate based Derivatives	1,708.6	1,708.5	1,708.6	1,708.5
3. Revocable Transactions	**0.0**	**2.5**	**0.0**	**2.5**
3.1. Other revocable transactions	0.0	2.5	0.0	2.5

31.12.05	Group Assets	Group Liabilities	Bank Assets	Bank Liabilities
1.Irrevocable transactions	**140.5**	**9,149.6**	**140.4**	**9,172.3**
1.1. Guarantees and pledges	47.6	2,195.3	47.6	2,385.3
incl. financial guarantees	0.0	489.4	0.0	489.4
1.2. Stand-by Loans	92.9	6,954.3	92.8	6,787.0
2. Derivatives	**4,516.5**	**4,504.8**	**4,563.1**	**4,550.5**
2.1. Currency Rate based Derivatives	3,431.4	3,419.7	3,478.0	3,465.4
incl forwards	448.3	446.6	454.4	452.5
swaps	2,446.8	2,436.6	2,487.2	2,476.3
options, written / purchased	21.7	21.7	21.8	21.8
others (spots)	514.6	514.8	514.6	514.8
2.2. Interest Rate based Derivatives	1,085.1	1,085.1	1,085.1	1,085.1
3. Revocable Transactions	**0.0**	**15.4**	**0.0**	**15.4**
3.1. Other revocable transactions	0.0	15.4	0.0	15.4

35. Concentration of loans and advances from customers by countries

(millions of EEK)

Group **31.12.06**

Country	In balance sheet: Loans	Securities	Other	incl. total outstanding of overdue and uncollectible debt and loans	off-balance sheet commitments	% from total
Belgium	0.1	1,809.2	0.0	0.0	0.2	2.2
Estonia	58,520.5	664.0	175.0	924.9	13,496.8	87.5
France	0.2	24.5	0.0	0.0	126.3	0.2
Germany	15.8	18.0	0.0	0.7	38.8	0.1
Italy	3.4	1.1	0.0	0.0	46.4	0.1
Latvia	132.6	32.6	0.5	0.1	3.8	0.2
Lithuania	18.1	16.9	0.0	0.1	11.2	0.1
Luxembourg	27.6	119.0	0.0	0.2	0.1	0.2
Netherlands	6.0	799.3	0.0	0.0	2.0	1.0
Russia	1,629.4	75.7	4.4	2.7	49.4	2.1
Sweden	1,294.0	64.6	3.0	5.6	2,983.4	5.2
Switzerland	23.4	0.2	0.0	0.0	164.6	0.2
United Kingdom	27.3	17.0	0.1	0.3	85.1	0.2
United States	99.5	49.4	0.2	1.9	18.2	0.2
Unallocated	346.1	145.9	0.7	98.4	40.5	0.5
TOTAL	**62,144.0**	**3,837.4**	**183.9**	**1,034.9**	**17,066.8**	**100.0**

Bank **31.12.06**

Country	In balance sheet: Loans	Securities	Other	incl. total outstanding of overdue and uncollectible debt and loans	off-balance sheet commitments	% from total
Belgium	0.1	1,809.2	0.0	0.0	0.2	2.5
Cyprus	40.2	0.0	0.0	0.0	0.2	0.1
Estonia	48,988.7	398.5	151.1	713.6	13,504.6	88.3
Finland	14.7	11.6	0.0	3.2	31.6	0.1
France	0.2	0.0	0.0	0.0	126.3	0.2
Germany	15.1	0.0	0.0	0.0	38.8	0.1
Italy	3.3	0.0	0.0	0.0	46.4	0.1
Latvia	132.6	16.6	0.5	0.0	3.8	0.2
Netherlands	6.0	740.1	0.0	0.0	2.0	1.0
Russia	460.5	1.9	0.0	0.0	49.4	0.7
Sweden	1,293.4	7.4	3.0	5.6	2,983.4	6.0
Switzerland	23.4	0.1	0.0	0.0	164.6	0.3
United Kingdom	26.4	0.1	0.1	0.3	85.1	0.1
United States	52.9	6.4	0.1	1.9	18.2	0.1
Unallocated	147.3	0.9	0.1	5.2	18.7	0.2
TOTAL	**51,204.8**	**2,992.8**	**154.9**	**729.8**	**17,073.3**	**100.0**

The columns of outstanding amounts indicate the balance (gross) of these claims and loans that are overdue and/or written down, including not overdue.

Concentration of loans and advances from customers by countries

(millions of EEK)

Group **31.12.05**

Country	In balance sheet: Loans	Securities	Other	incl. total outstanding of overdue and uncollectible debt and loans	off-balance sheet commitments	% from total
Belgium	0.1	153.2	0.0	0.0	0.2	0.3
Cyprus	58.6	0.0	0.0	0.0	0.1	0.1
Estonia	40,511.7	425.2	97.7	676.4	10,391.5	87.0
Finland	21.4	1.6	0.1	3.6	10.1	0.1
Germany	8.8	172.3	0.0	0.0	75.8	0.4
Italy	0.6	0.0	0.0	0.1	31.0	0.1
Latvia	73.3	16.3	0.1	0.7	4.7	0.2
Lithuania	85.4	15.5	0.0	0.1	117.0	0.4
Luxembourg	3.4	145.8	0.0	0.0	0.0	0.2
Malta	128.3	0.0	0.9	80.2	0.0	0.2
Marshall Islands	42.9	0.0	0.1	42.7	0.3	0.1
Netherlands	0.4	266.4	0.0	0.0	0.0	0.4
Poland	1.6	36.9	0.0	0.0	0.5	0.1
Russia	1,038.8	77.7	1.4	0.0	54.3	2.0
St. Vincent	55.6	0.0	0.0	0.0	0.0	0.1
Sweden	1,587.7	22.9	2.8	0.7	2,664.2	7.2
Switzerland	6.4	0.2	0.0	0.0	283.6	0.5
United States	65.2	16.4	0.1	0.0	2.8	0.1
Unallocated	163.4	93.8	0.2	3.7	33.7	0.5
TOTAL	**43,853.6**	**1,444.2**	**103.4**	**808.2**	**13,669.8**	**100.0**

Bank **31.12.05**

Country	In balance sheet: Loans	Securities	Other	incl. total outstanding of overdue and uncollectible debt and loans	off-balance sheet commitments	% from total
Belgium	0.0	153.2	0.0	0.0	0.2	0.3
Cyprus	54.8	0.0	0.0	0.0	0.1	0.1
Estonia	32,841.8	427.9	80.1	497.5	10,494.0	88.1
Finland	20.2	0.0	0.2	3.6	10.1	0.1
Germany	8.0	155.0	0.0	0.0	75.8	0.5
Italy	0.0	0.0	0.0	0.0	31.0	0.1
Latvia	73.2	0.0	0.1	0.7	4.7	0.1
Lithuania	85.3	0.0	0.0	0.1	83.0	0.3
Malta	80.2	0.0	0.8	80.2	0.0	0.1
Netherlands	0.4	231.1	0.0	0.0	0.0	0.5
Russia	128.7	2.0	0.0	0.0	54.3	0.4
Sweden	1,587.5	1.9	2.8	0.7	2,664.2	8.5
Switzerland	6.4	0.2	0.0	0.0	283.6	0.6
United States	22.6	0.0	0.0	0.0	2.8	0.1
Unallocated	78.2	0.0	0.0	3.5	34.4	0.2
TOTAL	**34,987.3**	**971.3**	**84.0**	**586.3**	**13,738.2**	**100.0**

The columns of outstanding amounts indicate the balance (gross) of these claims and loans that are overdue and/or written down, including not overdue.

36. Concentration of loans and advances from customers by economic sector

(millions of EEK)

Group **31.12.06**

Economic sector	In balance sheet: Loans	In balance sheet: Securities	In balance sheet: Other	incl. total outstanding of overdue and uncollectible debt and loans	off-balance sheet commit-ments	% from total
Agriculture, hunting, forestry	1,768.5	0.0	4.1	37.7	163.5	2.3
Construction	1,119.3	9.9	2.6	12.2	965.2	2.5
Education	40.1	0.0	2.7	0.0	0.7	0.1
Energy, gas and water plants	1,188.5	24.5	2.3	2.2	349.3	1.9
Exterritorial organisations	0.0	0.0	0.0	0.0	0.4	0.0
Finance	1,639.7	803.9	2.9	3.6	5,478.2	9.5
Fishing	40.2	0.0	0.1	6.0	3.8	0.1
Government, soc.insurance	1,734.9	2,647.6	0.4	1.8	141.8	5.4
Health services, social work	628.7	11.4	1.0	1.9	442.8	1.3
Home services	0.0	0.0	0.0	0.0	0.0	0.0
Hotels, restaurants	1,156.4	0.0	2.0	15.7	201.2	1.6
Industry	5,482.4	66.4	18.2	84.9	1,272.4	8.2
Mining	39.3	13.6	0.1	0.4	10.2	0.1
Real estate	13,173.1	138.6	32.7	91.7	2,063.5	18.5
Trading	5,983.2	23.4	17.7	41.3	2,108.3	9.8
Transport	4,157.7	32.7	17.4	129.9	1,921.8	7.4
Other gov. & social services	1,128.8	47.5	6.6	21.7	195.1	1.6
Individuals	22,863.2	0.0	73.1	583.9	1,748.6	29.7
Derivatives	0.0	17.9	0.0	0.0	0.0	0.0
TOTAL	**62,144.0**	**3,837.4**	**183.9**	**1,034.9**	**17,066.8**	**100.0**

Bank **31.12.06**

Economic sector	In balance sheet: Loans	In balance sheet: Securities	In balance sheet: Other	incl. total outstanding of overdue and uncollectible debt and loans	incl. uncollec-tible	overdue	off-balance sheet commit-ments	% from total
Agriculture, hunting, forestry	1,081.9	0.0	2.6	16.4	0.0	16.4	137.8	1.7
Construction	635.1	0.5	1.5	8.2	2.4	8.2	954.0	2.2
Education	25.0	0.0	2.7	0.0	0.0	0.0	0.7	0.1
Energy, gas and water plants	735.8	0.6	1.6	1.5	0.0	1.5	349.1	1.5
Exterritorial organisations	0.0	0.0	0.0	0.0	0.0	0.0	0.4	0.0
Finance	2,389.9	140.0	4.2	3.6	3.6	3.6	5,938.8	11.9
Fishing	24.5	0.0	0.1	0.8	0.0	0.8	2.0	0.0
Government, soc.insurance	1,531.3	2,550.0	0.0	0.0	0.0	0.0	141.8	5.9
Health services, social work	391.4	0.0	0.7	1.0	0.0	1.0	442.7	1.2
Home services	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Hotels, restaurants	1,106.4	0.0	1.9	15.4	0.0	15.4	201.1	1.8
Industry	3,205.0	4.7	10.3	54.3	0.2	54.3	1,159.5	6.1
Mining	9.1	0.0	0.0	0.0	0.0	0.0	3.6	0.0
Real estate	11,847.7	247.2	29.0	77.2	0.0	77.2	2,060.5	19.9
Trading	4,156.4	11.8	13.5	26.2	6.9	26.2	1,830.5	8.4
Transport	1,893.0	1.6	12.0	22.6	0.0	22.6	1,910.8	5.4
Other gov. & social services	621.0	18.6	5.5	16.2	1.9	14.6	191.5	1.2
Individuals	21,551.3	0.0	69.4	486.1	0.7	486.1	1,748.6	32.7
Derivatives	0.0	17.9	0.0	0.0	0.0	0.0	0.0	0.0
TOTAL	**51,204.8**	**2,992.8**	**154.9**	**729.8**	**15.7**	**728.1**	**17,073.3**	**100.0**

The columns of outstanding amounts indicate the balance (gross) of these claims and loans that are overdue and/or written down, including not overdue.

Concentration of loans and advances from customers by economic sector

(millions of EEK)

Group **31.12.05**

Economic sector	In balance sheet: Loans	In balance sheet: Securities	In balance sheet: Other	incl. total outstanding of overdue and uncollectible debt and loans	off-balance sheet commit-ments	% from total
Agriculture, hunting, forestry	1,519.8	0.0	2.7	28.3	194.8	2.9
Construction	539.3	1.0	1.1	17.3	825.9	2.3
Education	30.0	0.0	0.9	6.2	7.7	0.1
Energy, gas and water plants	782.0	29.8	1.0	0.6	398.2	2.1
Finance	1,488.5	538.7	2.4	2.6	4,193.0	10.5
Fishing	45.8	0.0	0.1	0.7	6.4	0.1
Government, soc.insurance	1,868.2	644.4	3.1	2.2	196.6	4.6
Health services, social work	473.9	6.7	0.8	0.8	276.1	1.3
Home services	0.0	0.0	0.0	0.0	0.5	0.0
Hotels, restaurants	582.9	0.0	1.0	6.5	212.4	1.4
Industry	3,738.7	56.3	8.7	52.2	1,146.1	8.4
Mining	20.4	0.0	0.0	0.0	4.6	0.0
Real estate	8,791.1	79.0	16.2	89.7	2,244.0	18.8
Trading	5,784.9	10.5	13.8	117.9	1,761.4	12.8
Transport	3,483.9	24.6	11.6	148.1	754.8	7.2
Other gov. & social services	1,012.2	31.2	1.6	34.3	203.3	2.1
Individuals	13,692.0	0.1	38.4	300.8	1,244.0	25.4
Derivatives	0.0	21.9	0.0	0.0	0.0	0.0
TOTAL	**43,853.6**	**1,444.2**	**103.4**	**808.2**	**13,669.8**	**100.0**

Bank **31.12.05**

Economic sector	In balance sheet: Loans	In balance sheet: Securities	In balance sheet: Other	incl. total outstanding of overdue and uncollectible debt and loans	incl. uncollec-tible	overdue	off-balance sheet commit-ments	% from total
Agriculture, hunting, forestry	820.6	0.0	1.5	17.5	0.0	0.0	158.5	2.0
Construction	242.2	1.0	0.6	7.9	0.0	0.3	802.7	2.1
Education	19.4	0.0	0.8	6.0	0.0	1.9	7.7	0.1
Energy, gas and water plants	304.2	2.5	0.6	0.3	6.0	21.0	397.5	1.4
Finance	2,189.3	108.7	3.5	2.6	0.0	82.2	4,726.7	14.1
Fishing	19.9	0.0	0.0	0.4	0.0	17.5	1.2	0.0
Government, soc.insurance	1,536.2	549.5	2.5	1.9	0.0	70.0	196.6	4.6
Health services, social work	367.9	0.0	0.6	0.0	0.0	6.0	275.9	1.3
Home services	0.0	0.0	0.0	0.0	4.2	21.5	0.5	0.0
Hotels, restaurants	545.5	0.0	0.9	5.8	15.0	46.4	212.4	1.5
Industry	2,513.1	2.6	5.6	23.0	0.0	0.0	959.1	7.0
Mining	7.0	0.0	0.0	0.0	0.0	0.4	1.8	0.0
Real estate	7,276.6	266.1	11.9	70.0	2.6	2.6	2,244.0	19.7
Trading	3,304.9	0.0	8.3	46.4	0.0	7.9	1,559.7	9.8
Transport	1,594.9	2.2	8.0	82.2	0.0	5.8	749.5	4.7
Other gov. & social services	656.5	15.8	0.9	23.3	0.0	0.0	200.5	1.8
Individuals	13,589.0	0.1	38.2	298.9	1.7	298.9	1,244.0	29.9
Derivatives	0.0	22.7	0.0	0.0	0.0	0.0	0.0	0.0
TOTAL	**34,987.3**	**971.3**	**84.0**	**586.3**	**29.5**	**582.5**	**13,738.2**	**100.0**

The columns of outstanding amounts indicate the balance (gross) of these claims and loans that are overdue and/or written down, including not overdue.

37. Related parties

(millions of EEK)	Group 31.12.06	Group 31.12.05	Bank 31.12.06	Bank 31.12.05
Loans to members of management board of credit institution and internal audit manager, also their confidants and commercial undertakings, controlled jointly or severally by the mentioned persons.	10.8	13.3	5.1	6.4
Contingent liabilities to members of management board of credit institution and internal audit manager, also their confidants and commercial undertakings, controlled jointly or severally by the mentioned persons (credit lines and commitments to extend credit).	0.5	0.8	0.5	0.8
Deposits of members of management board of credit institution and internal audit manager, also their confidants and commercial undertakings, controlled jointly or severally by the mentioned persons.	15.2	6.5	15.2	6.5
Nõuded tütarettevõtjatele	-	-	881.3	868.6
Kohustused tütarettevõtjatele	-	-	551.4	324.9
Bilansivälised nõuded tütarettevõtjatele	-	-	54.8	46.4
Bilansivälised kohustused tütarettevõtjatele	-	-	497.2	570.3
Loans to parent company	1,275.8	1,603.0	1,275.4	1,602.1
Due to parent company	28,550.4	15,042.8	18,541.2	6,724.0
incl. subordinated liabilities	1,838.5	1,048.3	1,838.5	1,048.3
Contingent assets and commitments to parent company	1,908.5	1,493.5	1,908.5	1,493.5
Contingent liabilities and commitments to parent company	1,876.4	2,633.1	1,876.4	2,633.1
Loans to enterprises of parent company's consolidation group	64.5	130.3	64.0	130.3
Due to enterprises of parent company's consolidation group	42.4	21.9	42.4	21.9
Contingent assets and commitments to enterprises of parent company's consolidation group	7.8	87.6	7.8	87.6
Contingent liabilities and commitments to enterprises of parent company's consolidation group	7.8	87.6	7.8	87.6
Interest income from parent company	16.1	40.7	16.1	40.7
Interest expence to parent company	788.4	343.9	492.6	214.7
Commission income from parent company	18.7	3.0	1.2	1.2
Commission expences to parent company	1.0	0.2	1.0	0.2
Interest income from enterprises of parent company's consolidation group	1.2	0.7	1.2	0.6
Interest expence to enterprises of parent company's consolidation group	0.5	0.2	0.5	0.2
Commission income from enterprises of parent company's consolidation group	15.3	14.3	3.5	1.7
Commission expences to enterprises of parent company's consolidation group	10.9	4.2	0.0	0.2

Interest rates of the loans given to related parties do not differ materially from interest rates of the loans to customers. Transactions with related parties have been based on market terms.

Related parties are:
- parent company
- subsidiaries of parent company;
- associates of parent company;
- associates of the Group;
- members of management board of credit institution and internal audit manager, also their confidants and commercial undertakings, controlled jointly or severally by the mentioned persons.

	2006	2005
Salaries and other benefits to the management in AS SEB Eesti Ühispank		
Members of management board	11.5	8.8
- salaries	10.3	6.1
- termination benefits to the management leaving the group	0.7	2.2
- other benefits to the key management	0.5	0.5
Members of supervisory board	0.0	2.9
Salaries and other benefits to the management in subsidiaries of AS SEB Eesti Ühispank		
Members of management board	10.3	9.3
- salaries	9.9	9.3
- termination benefits to the management leaving the group	0.4	0.0
- other benefits to the key management	0.0	0.0
Members of supervisory board	0.0	0.0

Compensation upon termination of the agreement concluded with a management board member

The bank's management board members are paid a compensation amounting to 12-month remuneration if they are not re-elected as management board members or if the management board member refuses to accept the position offered under employment contract in AS SEB Eesti Ühispank or a company belonging to the same consolidation group with AS SEB Eesti Ühispank.

38. Legal disputes

There are no outstanding legal disputes from which AS SEB Eesti Ühispank Group could suffer major losses. A client has filed a claim in amount of 12.8 million kroons against SEB Eesti Ühispank. No provision has been made in connection with this claim in 2006. In January 2007, the court delivered a judgement, which was unfavourable for the group, i.e. the court demanded payment of the entire amount from the group. After announcement of the judgement, the group made a 100% special provision. The group has appealed the decision and it is likely that the decision of the court of first instance will be changed.

39. Overdue

By overdue maturity

(millions of EEK)

31.12.06

	Group				Bank			
Overdue:	**< 30 days**	**30 < 60 days**	**over 60 days**	**Total**	**< 30 days**	**30 < 60 days**	**over 60 days**	**Total**
Loans	686.0	120.7	224.6	1,031.3	507.9	89.3	130.9	728.1
Securities	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Other	0.0	0.8	1.1	1.9	0.0	0.0	0.0	0.0
Total	**686.0**	**121.5**	**225.7**	**1,033.2**	**507.9**	**89.3**	**130.9**	**728.1**

31.12.05

	Group				Bank			
Overdue:	**< 30 days**	**30 < 60 days**	**over 60 days**	**Total**	**< 30 days**	**30 < 60 days**	**over 60 days**	**Total**
Loans	578.6	74.2	149.6	802.4	492.0	49.3	124.6	666.0
Securities	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Other	0.9	0.5	0.4	1.9	0.0	0.0	0.0	0.0
Total	**579.5**	**74.7**	**150.0**	**804.3**	**492.0**	**49.3**	**124.6**	**666.0**

The table indicates the balance of overdue claims (net).

40. Provided security

Pursuant to 3 Housing Loan agreements, concluded between AS SEB Eesti Ühispank and EBRD on 25.07.1997, AS SEB Ühispank pledged to EBRD its claims against the clients arising from the housing loan agreements concluded with clients by AS SEB Eesti Ühispank within the Housing Loan project of EBRD. AS SEB Eesti Ühispank also pledged to EBRD the pledges and mortgages established as security to the aforementioned loans in favour of AS SEB Eesti Ühispank. The EBRD Housing Loan balance as at 31.12.2006 was 721,823.85 EUR, interest LIBOR + 1% (31.12.2005: 1,443,647).

41. Contingent liabilities

Potential income tax on distribution of dividends
The retained earnings of the group as at 31 December 2006 were 3 719,9 (31 December 2005: 2 354,6 million kroons. Distribution of retained earnings as dividends to the owners is subject to the income tax at the rate of 22/78 since 1 January 2007 (until 31.12.2006: 23/77) on the amount paid out as net dividends. Therefore, from the retained earnings available at the balance sheet date it is possible to pay out to the shareholders as net dividends 2 901,5 million kroons and the corresponding income tax would amount to 818,4 million kroons. As of 31 December 2005 it would have been possible to pay out net dividends the amount of 1 813,0 million kroons, and the corresponding income tax would have amounted to 541,6 million kroons.

As at 31 December 2006 100% shares of AS SEB Eesti Ühispank are owned by SEB AB, who makes the decisions about profit distribution. SEB AB has decided not to pay out dividends from the net profit of AS SEB Eesti Ühispank for the reporting period (Note34).

Potential liabilities arising from tax inspection
In 2006 the tax authority did not conduct tax audit in the bank.
In 2006 the tax audits were conducted in the bank's subsidiary AS Rentacar. During the inspection the tax authority did not discover any calculation errors of taxes and no additional taxes were imposed.

The tax authorities may at any time inspect the books and records of the company within 6 years subsequent to the reported tax year, and may as a result of their inspection impose additional tax assessments and penalties.

The Company's management is not aware of any circumstances which may give rise to a potential material liability as of 31.12.2006 (31.12.2005: Nil).

42. Events after end of the financial year

No such material events have occurred after the end of the financial year in SEB Eesti Ühispank, that would affect the conditions of the assets or commitments as at the balance sheet date 31.12.2006.

AS SEB EESTI ÜHIPANK
Located at Tornimäe 2, Tallinn
MANAGEMENT BOARD RESOLUTION No 28

In Tallinn February 20, 2007

Pursuant to Paragraph 1 of Article 35 of the AS SEB Eesti Ühispank Articles of Association and Clause 2.1.4 of the Management Board bylaws, AS SEB Eesti Ühispank Management Board hereby resolves:

1. To make a proposal to the general shareholders' meeting not to distribute the profit of the financial year 2006 in the amount of 913,015,680 EEK (nine hundred and thirteen million, fifteen thousand, six hundred and eighty Estonian kroons).

2. To submit the present resolution to the Supervisory Board of AS SEB Eesti Ühispank for review.

Mart Altvee
Chairman of the Management Board